

PRELIMINARY OFFICIAL STATEMENT DATED MAY 7, 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 Underwriter.

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. 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 - PURCHASE OF THE BONDS BY FINANCIAL INSTITUTIONS."

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody's "Baa3"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

\$6,500,000

WILLOW POINT MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend and Waller Counties)
UNLIMITED TAX BONDS
SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Willow Point Municipal Utility District (the "District") and are not obligations of the State of Texas, Fort Bend County, Waller County, the City of Houston, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property within the District. THE BONDS ARE SUBJECT TO INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: June 15, 2020

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from June 15, 2020, and is payable each March 1 and September 1, commencing March 1, 2021, until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

Due (September 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)	Due (September 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)
2021	\$ 150,000	%	%		2033	\$ 300,000 (b)	%	%	
2022	250,000				2034	300,000 (b)			
2023	250,000				2035	300,000 (b)			
2024	250,000				2036	325,000 (b)			
2025	250,000				2037	325,000 (b)			
2026	250,000 (b)				2038	325,000 (b)			
2027	250,000 (b)				2039	325,000 (b)			
2028	250,000 (b)				2040	325,000 (b)			
2029	250,000 (b)				2041	325,000 (b)			
2030	250,000 (b)				2042	325,000 (b)			
2031	300,000 (b)				2043	325,000 (b)			
2032	300,000 (b)								

- (a) The Underwriter (herein defined) may designate one or more consecutive maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."
- (b) Bonds maturing on or after September 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) CUSIP Numbers will be assigned to the Bonds by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriters shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be passed on for the District by Bracewell, LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about June 30, 2020.

Bids Due: Thursday, June 4, 2020 at 10:30 A.M., Central Daylight Saving Time in Houston, Texas
Bid Award: Thursday, June 4, 2020 at 12:00 P.M., Central Daylight Saving Time in Houston, Texas

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (“Rule 15c2-12”), 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 representations 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, resolutions, 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas, 77056, for further information.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD LOOKING STATEMENTS.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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 or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

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

EXTREME WEATHER

General...

The greater Houston area, including Waller and Fort Bend Counties, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

Impact on District...

According to Jones & Carter, Inc. (the “Engineer”), Si Environmental, LLC (the “Operator”), KB Home Lone Star Inc. (“KB Home Lone Star”), and Ventana Development Katy Ltd. (“Ventana Katy”), the District’s water and wastewater system did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service provided by the District as a result of the storm; however, the storm caused damage to a well motor, and such well motor was replaced. Further, according to the Engineer, the Operator, KB Home Lone Star, and Ventana Katy, a visual inspection of the District indicated that no homes within the District experienced structural flooding or other material damage from rising water as a result of the storm.

If a future weather event significantly damaged taxable property 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—Extreme Weather Events."

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by the Texas Water Commission, a predecessor to the Texas Commission on Environmental Quality (the "TCEQ") on April 28, 1987, and operates pursuant to Chapters 49 and 54 of the Texas Water Code and Chapter 8413 of the Special Districts Local Laws Code. At the time of creation, the District contained approximately 178 acres of land. Subsequent to creation, the District annexed approximately 235 acres, and currently consists of approximately 413 acres. See "THE DISTRICT."

Location...

The District is predominantly located in Fort Bend County (approximately 361 acres) with a portion located in Waller County (approximately 52 acres). The District is approximately 32 miles west of the City of Houston central business district. Approximately 202 acres of the District are located within the extraterritorial jurisdiction of the City of Houston and approximately 182 acres are not located within any city's jurisdiction (all in Fort Bend County). Land within the District is also located within the Katy Independent School District. The District is located east of Pederson Road, west of Farm-to-Market 1463, south of Interstate Highway 10 and approximately five miles west of Texas State Highway 99 (the Grand Parkway). See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

The Developers...

KB Home Lone Star Inc. ("KB Home Lone Star"), a Texas corporation and an indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange (ticker KBH) is the developer of approximately 106 acres within the District being marketed as Anserra. KB Home Lone Star has completed the construction of 273 single-family residential lots on approximately 86 acres. KB Home Lone Star does not own any developable acreage in the District.

Ventana Katy Ltd. ("Ventana Katy") is the developer of approximately 210 acres in the District being marketed as the Trails of Katy. Ventana Katy was formed in 2012 for the sole purpose of developing its land in the District. The general partner of Ventana Katy is Trails of Katy, L.L.C. ("Trails"), the co-managers of which are James B. Grover, James B. Grover, Jr., and Paul S. Grover. Ventana Katy has completed the development of 335 single-family residential lots on approximately 149 acres. Ventana Katy owns approximately 19 acres of developable land in the District, of which approximately 8 acres is served by trunkline water distribution, wastewater collection and storm drainage facilities for future development and 11 acres are under construction for the development of 46 single-family residential lots.

Approximately 71 acres of vacant land within the District served by trunkline water distribution, wastewater collection and storm drainage facilities and 29 acres of vacant land within the District served by trunkline water distribution are owned by Ho & Huang Properties LP. The District is currently not aware of any plans to develop such acreage.

KB Home Lone Star and Ventana Katy are collectively referred to herein as the "Developers." See "THE DEVELOPERS AND MAJOR PROPERTY OWNER" and "TAX DATA—Principal Taxpayers."

<i>Status of Development...</i>	The District is being developed as two communities: Anserra and Trails of Katy. As of March 13, 2020, 608 single-family residential lots on approximately 235 acres had been developed, of which 521 homes had been completed (519 occupied), 50 homes were under construction or in a builder's name, and 37 vacant developed lots were available for home construction. Additionally, construction is underway on approximately 11 acres for the development of 46 single-family residential lots and completion is anticipated in summer 2020. According to the Developers, homes within the District range in price from approximately \$190,000 to \$500,000. Additionally, there are 79 acres of land within the District served by trunkline water distribution, wastewater collection and storm drainage facilities for future development, 29 acres of land within the District served by trunkline water distribution for future development, and approximately 59 acres are not developable (rights-of-way, detention, open spaces, easements and utility sites). See "THE DISTRICT."
<i>Builders...</i>	Westin Homes, Pulte Homes and Devon Street Homes are building homes in the Trails of Katy and KB Home Lone Star is the sole builder in Anserra. See "THE DISTRICT—Homebuilders within the District."
<i>Payment Record...</i>	The District has previously issued \$13,590,000 principal amount of unlimited tax bonds for water, wastewater, and drainage facilities in three series and \$2,500,000 principal amount of unlimited tax road bonds for roads and related improvements, \$15,385,000 of which is outstanding (the "Outstanding Bonds") as of the date hereof. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Bonds are the District's fourth issuance of unlimited tax bonds for water, wastewater and drainage facilities. The District has never defaulted on its debt obligations. Six (6) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
<i>Short-Term Debt...</i>	The District sold a BAN in the principal amount of \$4,085,000 on November 26, 2019, with a maturity date of November 25, 2020. The District will use a portion of the Bond proceeds to redeem the BAN in full at par plus accrued interest prior to maturity. Proceeds from the BAN were used to reimburse the Developers for a portion of the construction costs shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS."

THE BONDS

<i>Description...</i>	The \$6,500,000 Unlimited Tax Bonds, Series 2020 (the "Bonds") are being issued pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in each of the years 2021 through 2043, both inclusive, in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 15, 2020, and is payable each March 1 and September 1 beginning March 1, 2021, until the earlier of maturity or redemption. See "THE BONDS."
<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."
<i>Redemption...</i>	Bonds maturing on or after September 1, 2026 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to redeem the BAN and pay for items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to capitalize six (6) months of interest, pay interest on funds advanced by the Developers on behalf of the District and pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.

<i>Authority for Issuance...</i>	The Bonds are the fourth series of bonds issued out of an aggregate of \$96,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system and the additional purpose of refunding such bonds. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Fort Bend County, Waller County, the State of Texas or any entity other than the District. See "THE BONDS—Source of and Security for Payment."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	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 "Baa3" to the Bonds. The Bonds have qualified for municipal bond insurance and the purchase of municipal bond insurance with an associated rating of at least "AA" from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC or "Aa" from Moody's Investors Service is mandatory, at the expense of the Underwriter, including any rating fees associated with the insurance. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
<i>Qualified Tax-Exempt Obligations...</i>	The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of pursuant to Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2020 is not expected to exceed \$10,000,000. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations – Purchase of the Bonds by Financial Institutions."
<i>Bond Counsel...</i>	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF THE OFFICIAL STATEMENT."
<i>Disclosure Counsel...</i>	Bracewell LLP, Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$133,958,098	(a)
2020 Preliminary Taxable Assessed Valuation.....	\$176,316,824	(b)
Estimated Taxable Assessed Valuation as of May 1, 2020	\$183,062,466	(c)
Gross Direct Debt Outstanding (including the Bonds).....	\$21,885,000	(d)
Estimated Overlapping Debt	<u>6,844,758</u>	(e)
Gross Direct Debt and Estimated Overlapping Debt.....	\$28,729,758	(e)
Ratios of Gross Direct Debt to:		
2020 Preliminary Taxable Assessed Valuation	12.41%	
Estimated Taxable Assessed Valuation as of May 1, 2020	11.95%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Preliminary Taxable Assessed Valuation	16.29%	
Estimated Taxable Assessed Valuation as of May 1, 2020	15.69%	
Funds Available for Debt Service as of May 7, 2020:		
Water, Sewer and Drainage Debt Service Fund.....	\$821,539	(f)
Road Debt Service Fund	204,806	(f)
Capitalized Interest (Six Months)	<u>121,875</u>	(f)
Total Funds Available for Debt Service.....	\$1,148,220	
Operating Funds Available as of May 7, 2020.....	\$1,905,462	
Capital Projects Funds Available as of May 7, 2020.....	\$ 931,784	
2019 Debt Service Tax Rate.....	\$0.70	
2019 Maintenance Tax Rate.....	<u>0.76</u>	
2019 Total Tax Rate.....	\$1.46	
Projected Average Annual Debt Service Requirement (2021-2043).....	\$1,346,539	(g)
Projected Maximum Annual Debt Service Requirement (2022).....	\$1,544,384	(g)
Tax Rates Required to Pay Average Annual Debt Service (2021-2043) at a 95% Collection Rate		
Based upon 2020 Preliminary Taxable Assessed Valuation	\$0.81	(h)
Based upon Estimated Taxable Assessed Valuation as of May 1, 2020	\$0.78	(h)
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate		
Based upon 2020 Preliminary Taxable Assessed Valuation	\$0.93	(h)
Based upon Estimated Taxable Assessed Valuation as of May 1, 2020	\$0.89	(h)
Status of Development as of March 13, 2020 (i):		
Total Developed Lots	608	
Homes Completed (519 Occupied)	521	
Homes Under Construction or in a Builder's Name.....	50	
Lots Available for Homebuilding.....	37	
Lots Under Construction	46	
Estimated Population	1,817	(j)

- (a) As certified by the Fort Bend Central Appraisal District (\$133,941,321) and the Waller County Appraisal District (\$16,777), (collectively, the "Appraisal Districts"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal Districts as a preliminary indication of the 2020 taxable assessed value (\$176,300,047 in Fort Bend County and \$16,777 in Waller County). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal Districts for informational purposes only (\$181,899,367 in Fort Bend County and \$1,163,099 in Waller County). Such amounts reflect an estimate of the taxable assessed value within the District on May 1, 2020. The increases in value that occurred between January 1, 2020 and May 1, 2020 are assessed for purposes of taxation as of January 1, 2021. No tax will be levied on such amount until it is certified, and the certified taxable assessed valuation may differ from the estimates provided by the Appraisal Districts. See "TAXING PROCEDURES."
- (d) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (f) Funds in the water, sewer and drainage debt service fund (the "Water, Sewer and Drainage Debt Service Fund") are available to pay debt service on the District's bonds issued for water, wastewater, and storm drainage facilities (including the Bonds) and are not available to pay debt service on the District's bonds issued for road facilities. Neither Texas law nor any bond order requires the District to maintain any minimum balance in the Debt Service Fund. The District will capitalize six (6) months of interest from Bond proceeds. The amount above is estimated at 3.75%. The TCEQ approved a maximum of \$138,125 in capitalized interest. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development."
- (j) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

WILLOW POINT MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Fort Bend and Waller Counties)

\$6,500,000

UNLIMITED TAX BONDS SERIES 2020

This PRELIMINARY OFFICIAL STATEMENT provides certain information in connection with the issuance by Willow Point Municipal Utility District (the “District”) of its \$6,500,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the terms and conditions of an order (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District on November 5, 2013, and general laws of the State of Texas (“Texas”) relating to the issuance of bonds by political subdivisions of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, KB Home Lone Star Inc. (“KB Home Lone Star”) and Ventana Development Katy Ltd. (“Ventana Katy”) and development activity in the District. KB Home Lone Star and Ventana Katy are collectively referred to herein as the “Developers.” Other 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056.

THE BONDS

General

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 of the Board authorizing the issuance and sale of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from June 15, 2020, which interest is payable on each March 1 and September 1 commencing March 1, 2021, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years, and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

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

Method of Payment of Principal and Interest

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

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

Authority for Issuance

At a bond election held within the District on November 5, 2013 (the “Election”), the voters of the District authorized the issuance of a total of \$96,500,000 principal amount of unlimited tax bonds for the purposes of purchasing and constructing a water, wastewater and/or storm drainage system. The Bonds are issued pursuant to such authorization. See “Issuance of Additional Debt” herein. The TCEQ has approved the issuance of Bonds for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

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

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

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Order to levy a continuing, direct, annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

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

Funds

In the Bond Order, the Water, Sewer and Drainage Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Bonds and additional bonds issued to finance a water, wastewater and/or storm drainage system (“Facilities”) shall be deposited, as collected, in such fund.

The District also maintains a Road Debt Service Fund (the “Road Debt Service Fund”) that is not pledged to bonds to finance Facilities, including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on bonds issued to finance water distribution, wastewater collection and storm drainage facilities (“Water, Sewer and Drainage Bonds”) and funds in the Water, Sewer, and Drainage Debt Service Fund are not available to pay principal and interest on the Road Bonds.

Accrued interest and six (6) months of capitalized interest on the Bonds shall be deposited into the Water, Sewer and Drainage Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and for paying the costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or 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 on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Dallas, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$96,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, wastewater and storm drainage facilities, of which \$82,910,000 remains authorized but unissued, \$41,000,000 principal amount of unlimited tax bonds for the purpose of financing road improvements, of which \$38,500,000 remains authorized but unissued, and \$7,000,000 principal amount of unlimited tax bonds for the purpose of financing parks and recreational facilities, all of which authorization remains unissued. The District has also authorized \$144,570,000, \$61,500,000 and \$10,500,000 unlimited tax bonds for refunding outstanding water, wastewater and storm drainage bonds, road improvement bonds and parks and recreational facilities bonds, respectively, all which amounts remain authorized but unissued. After the issuance of the Bonds, the District will have \$76,410,000 principal amount of unlimited tax bonds authorized but unissued for water, wastewater and storm drainage facilities, \$38,500,000 principal amount of the unlimited tax bonds authorized for constructing road facilities, and all of the unlimited tax bonds authorized for parks and recreational 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 is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has no current plans to sell park bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue such bonds, the District would be required to obtain 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 calling such an election at this time.

Strategic Partnership Agreement – Limited Purpose Annexation by the City

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston (the “City”) dated December 12, 2019, whereby the tracts of land containing future commercial development were annexed into the City for the limited purpose of applying certain of the City’s Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sale and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business from the City imposed Sales and Use Tax will be paid to the District, and the District can use the sales tax revenue to (1) accelerate the development of water, wastewater and drainage system in the District, (2) accelerate reimbursement to developers for eligible infrastructure development, (3) lower the overall property tax rate to encourage additional development, and (4) perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial limitations. The sales tax revenue is not pledged to the payment of the Bonds.

The Sales and Use Tax was implemented within the annexed areas on December 12, 2019. The Comptroller of Public Accounts of the State of Texas remits the sales revenues to the City and the City then disburses to the District its share of the tax revenues. See “THE SYSTEM—Water and Wastewater Operations.”

Neither the District nor any owner of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

Under the SPA, the City agrees that it will not annex all or part of the District for full purposes for a period of thirty (30) years (through December 12, 2049).

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly, to pay the principal of and interest on the Bonds.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

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 statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies and Bankruptcy Limitations.”

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.

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 or qualified escrow agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange TCEQ and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-

U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Jones & Carter, Inc., the District’s engineer (the “Engineer”), and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the “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 review by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I. CONSTRUCTION COSTS

Water, Wastewater and/or Storm Drainage to Serve:

• Trails of Katy Detention Pond Phase II and Channel Improvements.....	\$ 1,198,514
• Anserra, Section Two.....	376,009
• Anserra, Section Three.....	329,981
• Water Plant Phase 2 and Remote Well.....	1,757,822
• Storm Water Pollution Prevention.....	38,245
• Land Acquisition.....	772,971
• Engineering.....	476,806

Total Construction Costs..... **\$ 4,950,348 (a)**

II. BOND ANTICIPATION NOTE COSTS

• Estimated Bond Anticipation Note Interest.....	\$ 142,975
• Issuance Costs and Professional Fees.....	93,562

Total Non-Construction Costs..... **\$ 236,537**

III. NON-CONSTRUCTION COSTS

• Underwriter’s Discount (Estimated at 2.00%) (b).....	\$ 130,000
• Capitalized Interest (b).....	138,125
• Developer Interest.....	623,641

Total Non-Construction Costs..... **\$ 891,766**

IV. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 355,099
• Bond Application Report Cost.....	50,000
• State Regulatory Fees.....	16,250

Total Issuance Costs and Fees..... **\$ 421,349**

TOTAL BOND ISSUE..... **\$ 6,500,000**

(a) Series 2019 BAN proceeds were used to reimburse the Developers for a portion of the construction costs shown above. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Short-Term Debt.”

(b) The TCEQ approved a maximum amount of capitalized interest in the amount of \$138,125, which is equivalent to six (6) months of interest at 4.25% and a maximum Underwriter’s discount of 2.00%. Elsewhere in this document capitalized interest is estimated based on an interest rate of 3.75%.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by the Texas Water Commission, a predecessor to the Texas Commission on Environmental Quality (“TCEQ”) on April 28, 1987, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District has additional authority related to the issuance of road bonds under Chapter 8413 of the Texas Special District Local Laws Code. At the time of creation, the District contained approximately 178 acres of land. Subsequent to creation, the District annexed approximately 236 acres, which brings the total District acreage to approximately 413 acres.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities and road facilities, including the issuance of bonds payable from taxes for such purposes. See “THE BONDS—Issuance of Additional Debt.” The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts or municipalities.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies and in certain instances, the City. See “THE SYSTEM—Regulation.”

Description and Location

The District currently consists of approximately 413 acres and is predominantly located in Fort Bend County (approximately 361 acres) with a portion located in Waller County (approximately 52 acres). The District is approximately 32 miles west of the City of Houston central business district. Approximately 202 acres of the District are located within the extraterritorial jurisdiction of the City of Houston and approximately 182 acres are not located within any city’s jurisdiction (all in Fort Bend County). Land within the District is also located within the Katy Independent School District. The District is located east of Pederson Road, west of Farm-to-Market 1463, south of Interstate Highway 10 and approximately 5 miles west of Grand Parkway. See “AERIAL PHOTOGRAPH.”

Land Use

The District currently includes approximately 235 developed acres of single-family residential development (608 single-family residential lots), approximately 11 acres under construction for the development of single-family residential lots, approximately 79 acres served by trunkline water distribution, wastewater collection and storm drainage facilities for future development, 29 acres of land within the District served by trunkline water distribution for future development, and approximately 59 undevelopable acres (drainage and pipeline easements, street rights-of-way and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate	
	<u>Acres</u>	<u>Lots</u>
Anserra:		
Section One.....	6	9
Section Two.....	13	54
Section Three.....	14	51
Section Four.....	20	57
Section Five.....	17	43
Section Six.....	16	59
Section Seven (a).....	11	46
Subtotal.....	97	319
Trails of Katy:		
Section One.....	40	124
Section Two.....	9	28
Section Three.....	35	85
Section Four.....	63	91
Section Five.....	2	7
Subtotal.....	149	335
Total Single-Family Residential.....	246	654
Future Development (b).....	108	--
Non-Developable (c).....	59	--
Totals.....	413	654

- (a) Construction is underway on approximately 11 acres for the development of 46 single-family residential lots and completion is anticipated in summer 2020.
- (b) Approximately 79 acres are served by trunkline water distribution, wastewater collection and storm drainage facilities for future development and approximately 29 acres of land within the District are served by trunkline water distribution for future development.
- (c) Includes public rights-of-way, detention, open spaces, easements and utility sites.

Status of Development

The District is being developed as two communities: Anserra and Trails of Katy. As of March 13, 2020, 608 single-family residential lots on approximately 235 acres had been developed, of which 521 homes had been completed (519 occupied), 50 homes were under construction or in a builder's name, and 37 vacant developed lots were available for home construction. Additionally, construction is underway on approximately 11 acres for the development of 46 single-family residential lots and completion is anticipated in summer 2020. According to the Developers, homes within the District range in price from approximately \$190,000 to \$500,000. Additionally, there are 79 acres of land within the District served by trunkline water distribution, wastewater collection and storm drainage facilities for future development, 29 acres of land within the District served by trunkline water distribution for future development, and approximately 59 acres are not developable (rights-of-way, detention, open spaces, easements and utility sites). The estimated population in the District as of March 13, 2020 (based upon 3.5 persons per occupied single-family residence) is 1,817. See "Land Use" herein and "THE DEVELOPERS AND MAJOR PROPERTY OWNER."

Homebuilders within the District

Westin Homes, Pulte Homes and Devon Street Homes are building homes in the Trails of Katy and KB Home Lone Star is the sole builder in Anserra.

According to Ventana Katy, Ventana Katy has lot sales agreements with Westin Homes, Pulte Homes and Devon Street Homes that require each builder to make an earnest money deposit and is subject to lot takedown requirements. According to Ventana Katy, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract.

Future Development

The District is currently planned as a primarily single-family residential development with some complementary retail/commercial development. Approximately 79 acres of land within the District are served by trunkline water distribution, wastewater collection and storm drainage facilities and approximately 29 acres of land within the District are served by trunkline water distribution for future development. Additionally, construction is underway on approximately 11 acres for the development of 46 single-family residential lots and completion is anticipated in summer 2020. While Ventana Katy anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)" and "—Potential Effects of Oil Price Declines on the Houston Area." The District anticipates issuing additional bonds to fully reimburse the Developers and accomplish full development of the District. See "INVESTMENT CONSIDERATIONS—Development and Home Construction in the District" and "—Future Debt." The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$121,910,000, after the issuance of the Bonds) should be sufficient to finance the construction of water, wastewater, storm drainage, parks and recreational facilities, and road improvements for full development of the District. See "THE BONDS—Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS—Future Debt."

THE DEVELOPERS AND MAJOR PROPERTY OWNER

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS."

KB Home Lone Star, Inc.

KB Home Lone Star, Inc. (“KB Home Lone Star”), a Texas corporation and an indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange (ticker KBH) is the developer of approximately 106 acres within the District being marketed as Anserra. KB Home Lone Star has completed the construction of 273 single-family residential lots on approximately 86 acres. KB Home Lone Star does not own any developable acreage in the District.

Acquisition and Development Financing: All funds required by KB Home Lone Star for home construction, development activities and payment of taxes are provided by KB Home. KB Home Lone Star is dependent on their parent company to provide funds for developing and operating the District. The ability of the KB Home Lone Star to continue development activity within the District is dependent upon its continued receipt of funds from its parent company. The parent company is not legally obligated to continuing providing funds for development of the District or to provide funds to pay taxes on KB Home Lone Star’s taxable property within the District or to pay any other obligations of KB Home Lone Star. KB Home Lone Star has stated that there are no liens securing third party indebtedness against the land or lots in the District owned by KB Home Lone Star.

Ventana Development Katy, Ltd.

Ventana Development Katy Ltd., a Texas limited partnership (“Ventana Katy”), is the developer of approximately 210 acres in the District being marketed as the Trails of Katy. Ventana Katy was formed in 2012 for the sole purpose of developing its land in the District. The general partner of Ventana Katy is Trails of Katy, L.L.C. (“Trails”), the co-managers of which are James B. Grover, James B. Grover, Jr., and Paul S. Grover. Ventana Katy has completed the development of 335 single-family residential lots on approximately 149 acres. Ventana Katy owns approximately 19 acres of developable land in the District, of which approximately 8 acres is served by trunkline water distribution, wastewater collection and storm drainage facilities for future development and 11 acres are under construction for the development of 46 single-family residential lots.

Obligations of the Developers

Neither of the Developers nor any other property owner is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. The Developers and other property owners have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the Developers’ financial condition is subject to change at any time.

Major Property Owner

Approximately 71 acres of vacant land within the District served by trunkline water distribution, wastewater collection and storm drainage facilities and 29 acres of vacant land within the District served by trunkline water distribution are owned by Ho & Huang Properties LP. The District is currently not aware of any plans to develop such acreage.

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 four-year terms and elections are held in May in even numbered years only. One of the Board members resides within the District and each of the remaining four board members owns land within the District subject to a note and deed of trust in favor of KB Home Lone Star. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan B. Niles	President	May 2024
Will Gutowsky	Vice President	May 2022
David L. Salley	Secretary	May 2022
Simon VanDyk	Assistant Secretary	May 2024
Chris Barge	Assistant Secretary	May 2024

District Consultants

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

Bond Counsel/Attorney: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Auditor: The District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's audited financial statements for the fiscal year ending May 31, 2019 have been prepared by McCall Gibson Swedlund Barfoot PLLC. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ending May 31, 2020. See "APPENDIX A" for a copy of the District's May 31, 2019 audited financial statements.

Engineer: The District's consulting engineer is Jones & Carter, Inc.

Tax Appraisal: The Waller County Appraisal District and the Fort Bend Central Appraisal District have the responsibility of appraising all property within the District located within their respective jurisdictions. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Mike Arterburn of Utility Tax Service, LLC (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

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

Utility System Operator: The operator of the District's water and wastewater system is Si Environmental, LLC.

ROAD SYSTEM

Proceeds from portions of the Series 2017 Road Bonds were used to finance the construction of roads and improvements in aid thereof that service the District.

All roads are designed and constructed in accordance with Fort Bend County and Waller County (collectively, the "Counties"). Upon acceptance by the Counties, as applicable, of roads or road facilities, Waller County or Fort Bend County, as applicable, is responsible for operation and maintenance thereof. These roads lie within public rights-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities (power, gas, telephone and cable).

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of storm drainage facilities within Fort Bend County is subject to the regulatory authority of the Fort Bend County Drainage District. Construction of storm drainage facilities within Waller County is subject to the regulatory authority of Brookshire-Katy Drainage District. Fort Bend County, Waller County, the City (in certain instances), and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

The water supply for the District is provided by a water plant located within the District. The water plant consists of a two 500 gallon per minute ("gpm") water wells, two 10,000 gallon pressure tanks, two 165,000 gallon ground storage tanks and three 500 gpm booster pumps. The District's existing water supply system is capable of serving 901 equivalent single-family connections. As of March 13, 2020, the District was serving 571 active residential connections (521 completed homes and 50 homes under construction or in a builder's name).

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2005, the Texas legislature created the North Fort Bend Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. 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 is included within 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 imposed on the District for groundwater pumped by the District), 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 of \$3.95 per 1,000 gallons based on the amount of groundwater pumped by the District, and a fee of \$4.30 per 1,000 gallons based on the amount of surface water received 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 2025 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 to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty of \$6.50 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

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

Wastewater Treatment

Wastewater from the District is treated by a 200,000 gallon per day ("gpd") interim wastewater treatment plant. This facility will adequately serve 666 equivalent single-family connections, which will serve 666 equivalent single-family connections of the District based upon current land use assumptions. As of March 13, 2020, the District was serving 571 active connections (521 completed homes and 50 homes under construction or in a builder's name).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

As of the date of this OFFICIAL STATEMENT, water distribution, wastewater collection and storm drainage facilities have been constructed to serve 608 lots in the District and approximately 108 acres for future development. The 108 acres of future development includes the approximately 11 acres on which the construction of 46 single-family residential lots is underway, with completion anticipated in summer 2020. See “THE DISTRICT—Land Use.”

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 32.86 acres within the District are within the 100-year flood plain including approximately 6.97 developable acres within Anserra, Section Seven, which is expected to be removed by a FEMA Letter of Map Revision based upon fill, and approximately 25.89 acres within the 230 ft. ultimate right-of-way of Willow Fork of Buffalo Bayou, which will remain in the 100-year flood plain as undevelopable acreage. See “THE DISTRICT—Land Use” and “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Atlas 14 Rainfall Study

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

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Water and Wastewater Operations

The Bonds and the Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from operations of the District's water and wastewater system, if any, are available for any legal purpose, including the payment of debt service on the Bonds and the Outstanding Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Bonds or the Outstanding Bonds.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending May 31, 2016 through May 31, 2019, and from the Bookkeeper for the year to date numbers as of April 30, 2020. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended May 31				
	6/1/19 to 4/30/20 (a) (Unaudited)	2019	2018	2017	2016
Revenues					
Property Taxes	\$ 1,016,551	\$ 680,777	\$ 490,827	\$ 516,355	\$ 312,737
Water Service	239,491	194,822	137,494	100,588	65,642
Wastewater Service	295,650	239,727	169,198	117,342	75,856
Regional Water Authority Fee	291,735	209,713	154,376	99,715	58,590
Penalty and Interest	17,085	17,987	8,118	5,517	9,331
Tap Connection and Inspection Fees	72,578	99,924	87,352	67,567	41,033
Investment Revenues	21,575	22,005	7,960	1,289	155
Miscellaneous	80,261	13,084	8,964	12,938	8,287
Total Revenues	\$ 2,034,927	\$ 1,478,039	\$ 1,064,289	\$ 921,311	\$ 571,631
Expenditures					
Professional Fees	\$ 136,272	\$ 126,161	\$ 75,260	\$ 85,381	\$ 102,762
Contracted Services	142,061	123,759	88,685	65,408	62,316
Lease Costs	107,050	-	-	-	-
Utilities	47,464	57,796	55,125	42,665	43,702
Regional Water Authority Assessment	241,197	212,019	152,533	103,071	60,321
Repairs and Maintenance	363,353	389,121	224,050	220,007	158,948
Other	124,923	176,832	129,990	134,335	112,383
Capital Outlay	95,970	4,698	10,420	-	-
Bond Issuance Costs	-	68,325	-	-	-
Total Expenditures	\$ 1,258,290	\$ 1,158,711	\$ 736,063	\$ 650,867	\$ 540,432
Revenues Over (Under) Expenditures	\$ 776,637	\$ 319,328	\$ 328,226	\$ 270,444	\$ 31,199
Other Sources (Developer Advance)	\$ -	\$ -	\$ -	\$ -	\$ 170,100
Other Sources (Transfer In (out))	\$ -	\$ -	\$ -	\$ -	\$ 60,800
Fund Balance (Beginning of Year)	\$ 1,165,659	\$ 846,331	\$ 518,105	\$ 247,661	\$ (14,438)
Fund Balance (End of Year)	\$ 1,942,296	\$ 1,165,659	\$ 846,331	\$ 518,105	\$ 247,661

(a) Unaudited as of April 30, 2020. Provided by the District's bookkeeper.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$133,958,098	(a)
2020 Preliminary Taxable Assessed Valuation	\$176,316,824	(b)
Estimated Taxable Assessed Valuation as of May 1, 2020	\$183,062,466	(c)
Gross Direct Debt Outstanding (including the Bonds).....	\$21,885,000	(d)
Estimated Overlapping Debt	6,844,758	(e)
Gross Direct Debt and Estimated Overlapping Debt.....	\$28,729,758	(e)
Ratios of Gross Direct Debt to:		
2020 Preliminary Taxable Assessed Valuation	12.41%	
Estimated Taxable Assessed Valuation as of May 1, 2020	11.95%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Preliminary Taxable Assessed Valuation	16.29%	
Estimated Taxable Assessed Valuation as of May 1, 2020	15.69%	
Funds Available for Debt Service as of May 7, 2020:		
Water, Sewer and Drainage Debt Service Fund.....	\$821,539	(f)
Road Debt Service Fund	204,806	(f)
Capitalized Interest (six month)	121,875	(f)
Total Funds Available for Debt Service.....	\$1,148,220	
Operating Funds Available as of May 7, 2020	\$1,905,462	
Capital Projects Funds Available as of May 7, 2020.....	\$ 931,784	

- (a) As certified by the Fort Bend Central Appraisal District (\$133,941,321) and the Waller County Appraisal District (\$16,777), collectively, the "Appraisal Districts." See "TAXING PROCEDURES."
- (b) Provided by the Appraisal Districts as a preliminary indication of the 2020 taxable assessed value (\$176,300,047 in Fort Bend County and \$16,777 in Waller County). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal Districts for informational purposes only (\$181,899,367 in Fort Bend County and \$1,163,099 in Waller County). Such amounts reflect an estimate of the taxable assessed value within the District on May 1, 2020. The increases in value that occurred between January 1, 2020 and May 1, 2020 are assessed for purposes of taxation as of January 1, 2021. No tax will be levied on such amount until it is certified, and the certified taxable assessed valuation may differ from the estimates provided by the Appraisal Districts. See "TAXING PROCEDURES."
- (d) Includes the Bonds and the Outstanding Bonds. See "Outstanding Bonds" herein.
- (e) See "Estimated Overlapping Debt" herein.
- (f) Funds in the water, sewer and drainage debt service fund (the "Water, Sewer and Drainage Debt Service Fund") are available to pay debt service on the District's bonds issued for water, wastewater, and storm drainage facilities (including the Bonds) and are not available to pay debt service on the District's bonds issued for road facilities. Neither Texas law nor any bond order requires the District to maintain any minimum balance in the Debt Service Fund. The District will capitalize six (6) months of interest from Bond proceeds. The amount above is estimated at 3.75%. The TCEQ approved a maximum of \$138,125 in capitalized interest. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Short-Term Debt

The District sold a bond anticipation note ("BAN") in the principal amount of \$4,085,000 on November 26, 2019, with a maturity date of November 25, 2020. The District will use a portion of the Bond proceeds to redeem the BAN in full at par plus accrued interest prior to maturity. Proceeds from the BAN were used to reimburse the Developers for a portion of the construction costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

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

Outstanding Bonds

The District has previously issued \$13,590,000 principal amount of unlimited tax bonds for water, sewer and storm drainage facilities in three series and \$2,500,000 principal amount of unlimited tax bonds for constructing road facilities in one series, of which \$15,385,000 principal amount remains outstanding (the “Outstanding Bonds”) as of the date hereof.

Series	Original Principal Amount	Outstanding Bonds
2015	\$ 5,520,000	\$ 5,165,000
2017	3,070,000	2,820,000
2017 (a)	2,500,000	2,400,000
2019	5,000,000	5,000,000
Total	\$ 16,090,000	\$ 15,385,000

(a) Unlimited tax road bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Bonds” in this section) and the estimated debt service on the Bonds at an estimated interest rate of 3.75%. This schedule does not reflect the fact that the District will capitalize six (6) months of interest from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds (b)			Total Debt Service Requirements (b)
		Principal	Interest	Total	
2020	\$ 601,054.38 (a)				\$ 601,054.38
2021	1,064,758.75	\$ 150,000	\$ 284,375.00	\$ 434,375.00	1,499,133.75
2022	1,056,258.75	250,000	238,125.00	488,125.00	1,544,383.75
2023	1,046,358.75	250,000	228,750.00	478,750.00	1,525,108.75
2024	1,041,058.75	250,000	219,375.00	469,375.00	1,510,433.75
2025	1,035,208.75	250,000	210,000.00	460,000.00	1,495,208.75
2026	1,028,633.75	250,000	200,625.00	450,625.00	1,479,258.75
2027	1,016,096.25	250,000	191,250.00	441,250.00	1,457,346.25
2028	1,007,840.00	250,000	181,875.00	431,875.00	1,439,715.00
2029	998,727.50	250,000	172,500.00	422,500.00	1,421,227.50
2030	993,990.00	250,000	163,125.00	413,125.00	1,407,115.00
2031	982,890.00	300,000	153,750.00	453,750.00	1,436,640.00
2032	965,871.25	300,000	142,500.00	442,500.00	1,408,371.25
2033	968,517.50	300,000	131,250.00	431,250.00	1,399,767.50
2034	954,795.00	300,000	120,000.00	420,000.00	1,374,795.00
2035	950,432.50	300,000	108,750.00	408,750.00	1,359,182.50
2036	939,807.50	325,000	97,500.00	422,500.00	1,362,307.50
2037	927,938.75	325,000	85,312.50	410,312.50	1,338,251.25
2038	915,451.25	325,000	73,125.00	398,125.00	1,313,576.25
2039	907,345.00	325,000	60,937.50	385,937.50	1,293,282.50
2040	892,880.00	325,000	48,750.00	373,750.00	1,266,630.00
2041	882,785.00	325,000	36,562.50	361,562.50	1,244,347.50
2042	476,575.00	325,000	24,375.00	349,375.00	825,950.00
2043	231,187.50	325,000	12,187.50	337,187.50	568,375.00
Total	\$ 21,886,461.88	\$ 6,500,000	\$ 3,185,000.00	\$ 9,685,000.00	\$ 31,571,461.88

(a) Excludes the District’s March 1, 2020, debt service payment in the amount of \$236,595.

(b) Preliminary, subject to change.

Average Annual Debt Service Requirements (2021-2043)\$1,346,539 (a)
 Maximum Annual Debt Service Requirement (2022).....\$1,544,384 (a)

(a) Preliminary, subject to change.

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County (a).....	\$ 559,527,527	3/31/2020	0.19%	\$ 1,063,102
Katy Independent School District.....	1,752,016,959	3/31/2020	0.33%	5,781,656
Total Estimated Overlapping Debt.....				\$ 6,844,758
The District.....	21,885,000 (b)	Current	100.00%	<u>21,885,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 28,729,758

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Preliminary Taxable Assessed Valuation of \$176,316,824	16.29%
Estimated Taxable Assessed Valuation as of May 1, 2020 of \$183,062,466	15.69%

- (a) Approximately 52 acres of undeveloped land in the District is within Waller County.
- (b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2019 tax year by all taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.46000
Katy Independent School District.....	<u>1.44310</u>
Total Overlapping Tax Rate.....	\$ 1.90310
The District (b).....	<u>1.46000</u>
Total Tax Rate.....	\$ 3.36310

- (a) Includes Fort Bend Drainage. Approximately 52 acres of the District is located within Waller County. The total tax rate for a property owner within the portion of the District located in Waller County is \$3.53323 per \$100 of taxable assessed valuation.
- (b) See “TAX DATA—Debt Service Tax,” “—Maintenance Tax” and “Historical Tax Rate Distribution.”

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 15, 2013, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.” At an election held on November 5, 2013, the voters of the District approved the levy and collection of a parks and recreational maintenance tax by an amount not to exceed \$0.10 per \$100 of taxable assessed valuation. To date, the District has not levied a parks and recreational facilities maintenance tax.

Historical Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.70	\$ 0.76	\$ 0.80	\$ 0.60	\$ -
Maintenance and Operations	0.76	0.72	0.70	0.90	1.50
Total	\$ 1.46	\$ 1.48	\$ 1.50	\$ 1.50	\$ 1.50

Tax Exemptions

The District has not granted any optional tax exemptions for property located within the District. See “TAXING PROCEDURES.”

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Taxes are due October 1 and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of April 30, 2020 (c)	
				Amount	Percent
2015	\$ 21,060,429	\$ 1.50	\$ 315,906	\$ 315,906	100.00%
2016	58,163,841	1.50	872,458	872,458	100.00%
2017	70,585,412	1.50	1,058,781	1,058,781	100.00%
2018	93,996,895	1.48	1,391,154	1,391,154	100.00%
2019	133,958,098	1.46	1,955,788	1,935,054	98.94%

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) Unaudited.

Tax Roll Information

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 property comprising the 2016 through 2019 Certified Taxable Assessed Valuations and the 2020 Preliminary Taxable Assessed Valuation, which is subject to review and downward adjustment prior to certification. No tax will be levied on estimated values. Taxes are levied on taxable value certified by the Appraisal Districts as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuation	Defrements and Exemptions	Net Certified Taxable Assessed Valuation
	Land	Improvements	Personal Property			
2016	\$ 25,409,800	\$ 33,188,320	\$ 182,871	\$ 58,780,991	\$ (617,150)	\$ 58,163,841
2017	21,943,260	49,963,680	181,480	72,088,420	(1,503,008)	70,585,412
2018	23,635,390	72,783,280	138,986	96,557,656	(2,560,761)	93,996,895
2019	(a) 40,841,560	106,719,794	216,421	147,777,775	(13,819,677)	133,958,098
2020 Preliminary AV	(b) 42,463,620	148,263,257	163,591	190,890,468	(14,573,644)	176,316,824

- (a) As certified by the Fort Bend Central Appraisal District (\$133,941,321) and the Waller County Appraisal District (\$16,777). See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal Districts as a preliminary indication of the 2020 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed valuation as a percentage of the 2019 Certified Taxable Assessed Valuation of \$133,958,098. This represents ownership as of January 1, 2019. A principal taxpayer list related to the 2020 Preliminary Taxable Assessed Valuation or Estimated Taxable Assessed Valuation as of May 1, 2020 of \$183,062,466 is subject to review and significant revision, and therefore is not included herein.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation (c)
KB Home Lone Star Inc. (a)(b)	\$ 2,063,492	1.54%
Westin Homes & Properties LP (b)	1,509,200	1.13%
Pulte Homes of Texas LP (b)	1,155,370	0.86%
Devon Street Homes LP (b)	1,128,350	0.84%
Individual	572,950	0.43%
Individual	502,920	0.38%
Individual	502,870	0.38%
Individual	495,070	0.37%
Individual	489,870	0.37%
Individual	488,580	0.36%
Total	\$ 8,908,672	6.65%

- (a) See “THE DEVELOPERS AND MAJOR PROPERTY OWNER.”
- (b) See “THE DISTRICT—Homebuilders Within the District.”
- (c) As certified by the Fort Bend Central Appraisal District (\$133,941,321) and the Waller Appraisal District (\$16,777). See “TAXING PROCEDURES.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Preliminary Taxable Assessed Valuation of \$176,316,824, which is subject to review and downward revision prior to certification and the Estimated Taxable Assessed Valuation as of May 1, 2020 of \$183,062,466. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)” for additional information. The calculations contained in the following table merely represent the tax rates required to pay principal of 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2021-2043)	\$1,346,539
\$0.81 Tax Rate on the 2020 Preliminary Taxable Assessed Valuation	\$1,356,758
\$0.78 Tax Rate on the Estimated Taxable Assessed Valuation as of May 1, 2020	\$1,352,325
Maximum Annual Debt Service Requirement (2022).....	\$1,544,384
\$0.93 Tax Rate on the 2020 Preliminary Taxable Assessed Valuation	\$1,557,759
\$0.89 Tax Rate on the Estimated Taxable Assessed Valuation as of May 1, 2020	\$1,560,375

No representation or suggestion is made that the 2020 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification or that the Estimated Taxable Assessed Valuation as of May 1, 2020 provided by the Appraisal Districts 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

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. Both the Fort Bend Central Appraisal District and the Waller County Appraisal District (collectively, the “Appraisal Districts”) have the responsibility for appraising property for all taxing units within Fort Bend County and Waller County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board and the Waller County Appraisal Review Board (the “Appraisal Review Boards”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

Veterans Exemptions: The District must grant certain 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 of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran's or surviving spouse's residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran's disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption by each Participant may be considered each year, but must be adopted by May 1.

Additional Homestead Exemptions: The District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

Freeport Goods Exemption: 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.

Tax Abatement

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

Valuation of Property for Taxation

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

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

Effective January 1, 2020, Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in governor-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I – 15% (minimal damage), Level II – 30% (nonstructural damage), Level III – 60% (significant structural damage), or Level IV – 100% (total loss). Property owners are entitled to the exemption if the Governor declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration. The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage, which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year. The exemption expires on January 1 of the first tax year in which the property is reappraised. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due February 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional twenty percent (20%) penalty for collection costs of a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 (“SB 2”) was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See “TAX DATA—Historical Tax Rate Distribution” for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “Other 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, subject to certain homestead exemptions, are required to hold a rollback 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 1.08 times the previous year's operation and maintenance tax rate.

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collections Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

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 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").

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. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he subsequently extended in April and May. 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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation as well as the reopening of businesses in Texas. These include, for example, the issuance on May 18, 2020 of Executive Order No. GA-23, which order remains in effect until June 3, 2020 subject to extension based on the status of COVID-19 in Texas and the recommendations of the Governor's Strike Force to Open Texas, the White House Coronavirus Task Force, and the CDC. Executive Order No. GA-23, among other things, maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household except to provide or obtain a list of services defined therein as "Covered Services." Executive Order No. GA-23 provides for a phased expansion of the scope of services that are considered Covered Services and thus the reopening of businesses in Texas, but such openings remain subject to future restrictions in the Governor's discretion based on factors such as an increase in the transmission of COVID-19 or in the amount of COVID-19-related hospitalizations or fatalities. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconference meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble large groups of people. In addition, Fort Bend and Waller Counties, within which the District is located, have issued emergency orders related to the Pandemic. 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 or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest 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. The District is located near the Houston area's energy corridor, where a number of oil and gas firms are based. Due to its proximity to such businesses, it is possible that a downturn in the oil and gas industry could affect the demand for housing in the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Extreme Weather Events

The greater Houston area 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, the 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 Engineer, the Operator, KB Home Lone Star, and Ventana Katy, the District's water and wastewater system did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service provided by the District as a result of the storm; however, the storm caused damage to a well motor, and such well motor was replaced. Further, according to the Engineer, the Operator, KB Home Lone Star, and Ventana Katy, a visual inspection of the District indicated that no homes within the District experienced structural flooding or other material damage from rising water as a result of the storm.

If a future weather event significantly damaged taxable property 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

The District may be subject to the following flood 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.

General

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

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 developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, 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 32 miles from the central downtown business district of the City, 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 Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 32 miles from downtown Houston, could be affected by competition from other residential developments including other residential developments located in the west Houston and Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Possible 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 owners of property within the District to pay their taxes. The 2020 Preliminary Taxable Assessed Valuation is \$176,316,824, which is subject to review and downward revision prior to certification. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" for additional information. After issuance of the Bonds, the maximum annual debt service requirement is estimated to be \$1,544,384 (2022) and the average annual debt service requirement is estimated to be \$1,346,539 (2021-2043 inclusive). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements." Assuming no increase or decrease from the 2020 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.93 and \$0.81 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of May 1, 2020, is \$183,062,466, which reduces the above calculations to \$0.89 and \$0.78 per \$100 of taxable assessed valuation, respectively. See "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the 2020 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification or that the Estimated Taxable Assessed Valuation as of May 1, 2020 provided by the Appraisal Districts for the District will be certified as taxable values by the Appraisal Districts, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

Development and Home Construction in the District

As of March 13, 2020, approximately 37 single-family residential lots were available for home construction or in the name of a builder. Future increases in value will result primarily from the construction of home by builders and construction of commercial improvements. The District makes no representation with regard to whether or not building programs will be successful. Additionally, approximately 79 acres of land within the District are served by trunkline water distribution, wastewater collection and storm drainage facilities and approximately 29 acres of land within the District are served by trunkline water distribution for future development. See “THE DISTRICT—Land Use” and “THE DEVELOPERS AND MAJOR PROPERTY OWNER.”

Tax Collections Limitations and Foreclosure Remedies

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue additional bonds and other obligations, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters have authorized a total of \$96,500,000 principal amount of unlimited tax bonds for purchasing or constructing a water, wastewater and/ or storm drainage system, \$41,000,000 principal amount of unlimited tax bonds for road improvements, and \$7,000,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District has also authorized \$144,570,000, \$61,500,000 and \$10,500,000 in the principal amount of unlimited tax bonds for refunding outstanding water, wastewater and storm drainage bonds, road improvement bonds and parks and recreational facilities bonds, respectively, all which amounts remain authorized but unissued. After the issuance of the Bonds, the District will have \$76,410,000 principal amount of unlimited tax bonds authorized but unissued for water, wastewater and storm drainage facilities and \$38,500,000 principal amount of the unlimited tax bonds authorized for constructing road facilities, and all of the unlimited tax bonds authorized for parks and recreational facilities. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS—Issuance of Additional Debt."

In accordance with the terms of separate development financing agreements, the Developers have advanced certain funds for construction of water, wastewater and storm drainage facilities and roads for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will continue to owe Ventana Katy and KB Home Lone Star approximately \$16,615,000 for such improvements. The District intends to issue additional bonds to fully reimburse the Developers and to develop the remainder of undeveloped but developable land currently in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sewer and storm drainage facilities and parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, the principal amount of bonds issued to finance parks may not exceed 1% of the District's certified value. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “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). The court vacated the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to 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 adopted an HGB Area redesignation request under the 1997 Ozone Standards on December 12, 2018, and submitted that redesignation request to the EPA on December 14, 2018. In a final rule that became effective on March 16, 2020, the EPA determined that the HGB Area had met the CAA redesignation criteria and terminated the anti-backsliding obligations that had applied in the HGB Area under the 1997 Ozone Standards.

The HGB Area was designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018; however, the EPA determined that the HGB Area failed to meet the attainment deadline. Effective September 23, 2019, the HGB Area is now designated as a “Serious” nonattainment area with an attainment date of July 20, 2021. The State will be required to submit State Implementation Plan revisions to the EPA by August 3, 2020. The HGB Area could be subject to 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) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’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 obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The EPA published the NWPR in the Federal Register on April 21, 2020 and will go into effect on June 22, 2020. It will likely become the subject of further litigation.

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

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

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

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “Baa3” 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 Underwriter.

The Bonds have qualified for municipal bond insurance and the purchase of municipal bond insurance with an associated rating of at least “AA” from S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC or “Aa” from Moody’s Investors Service is mandatory, at the expense of the Underwriter, including any rating fees associated with the insurance. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The District will also furnish the opinion of Bond Counsel that will address the matters described below under “Tax Opinion.” The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn LLP also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid 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.

No-Litigation Certificate

The District will furnish the Underwriter one or more certificates, dated as of the date of delivery of the Bonds, executed by the President of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officer, threatened against the District that would (i) affect the corporate existence or boundaries of the District, (ii) contest the right of the directors or officials of the District to hold and exercise their respective positions, (iii) contest the due organization and valid existence of the District, (iv) contest the validity, due authorization, and execution of the Bonds or the Bond Order, or (v) attempt to limit, enjoin or otherwise restrict or prevent the District from functioning and collecting taxes, including payments on the Bonds pursuant to the Bond Order, and other income or the levy and collection of the taxes pledged or to be pledged to pay the principal of and interest on the Bonds or the pledge thereof.

Qualified Tax-Exempt Obligations - Purchase of the Bonds by Financial Institutions

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

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

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

No Material Adverse Change

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

Tax Opinion

The delivery of Bonds is subject to an opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the gross income of the owners thereof for federal income tax purposes and (ii) will not be subject to the alternative minimum tax imposed on individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

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

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

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.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain 42 foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds.

If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Federal Income Tax Accounting Treatment of Original Issue Discount

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price 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 at the initial public offering price in the initial public offering of the Bonds; and (b) 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.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "LEGAL MATTERS—Tax Opinion" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and 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 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

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 Developers, the Engineer, the Tax Assessor/Collector, the Appraisal Districts and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, 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.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Mr. Mike Arterburn of Utility Tax Service, LLC, and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Jones & Carter, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's audited financial statement for the fiscal year ending May 31, 2019, was prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See APPENDIX A.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "GENERAL FUND" 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.

Bond Counsel has reviewed the information appearing in this PRELIMINARY OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this PRELIMINARY OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District or the Developers for the purpose of passing upon the accuracy or completeness of this PRELIMINARY OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Updating the Official Statement

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

Certification of Official Statement

At the time of payment for and delivery of the Bonds, the Underwriter will be provided with a certificate, executed by a proper District official, acting in his official capacity to the general effect that to the best of their knowledge and belief (i) no event affecting the District has occurred since the date of the OFFICIAL STATEMENT that should be disclosed in the OFFICIAL STATEMENT for the purpose for which it is to be used or that is necessary to disclose therein, in light of the circumstances under which made, not misleading in any material respects, and (ii) the information contained in the OFFICIAL STATEMENT pertaining to the District and its affairs is correct in all material respects and, as of the date of the OFFICIAL STATEMENT did not, and as of the date of Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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”).

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 “THE SYSTEM—Water and Wastewater Operations,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)” (except for information under the sub captions “Estimated Overlapping Debt” and “Overlapping Taxes”) and “TAX DATA” (most of which information is contained in the District’s annual audited financial statements) and in “APPENDIX A.” 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 May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect bondholders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

The District issued its initial series of bonds in 2015, and since that time the District has not failed to comply in any material respect with its undertakings entered into under the Rule.

MISCELLANEOUS

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

/s/ _____
President, Board of Directors

ATTEST:

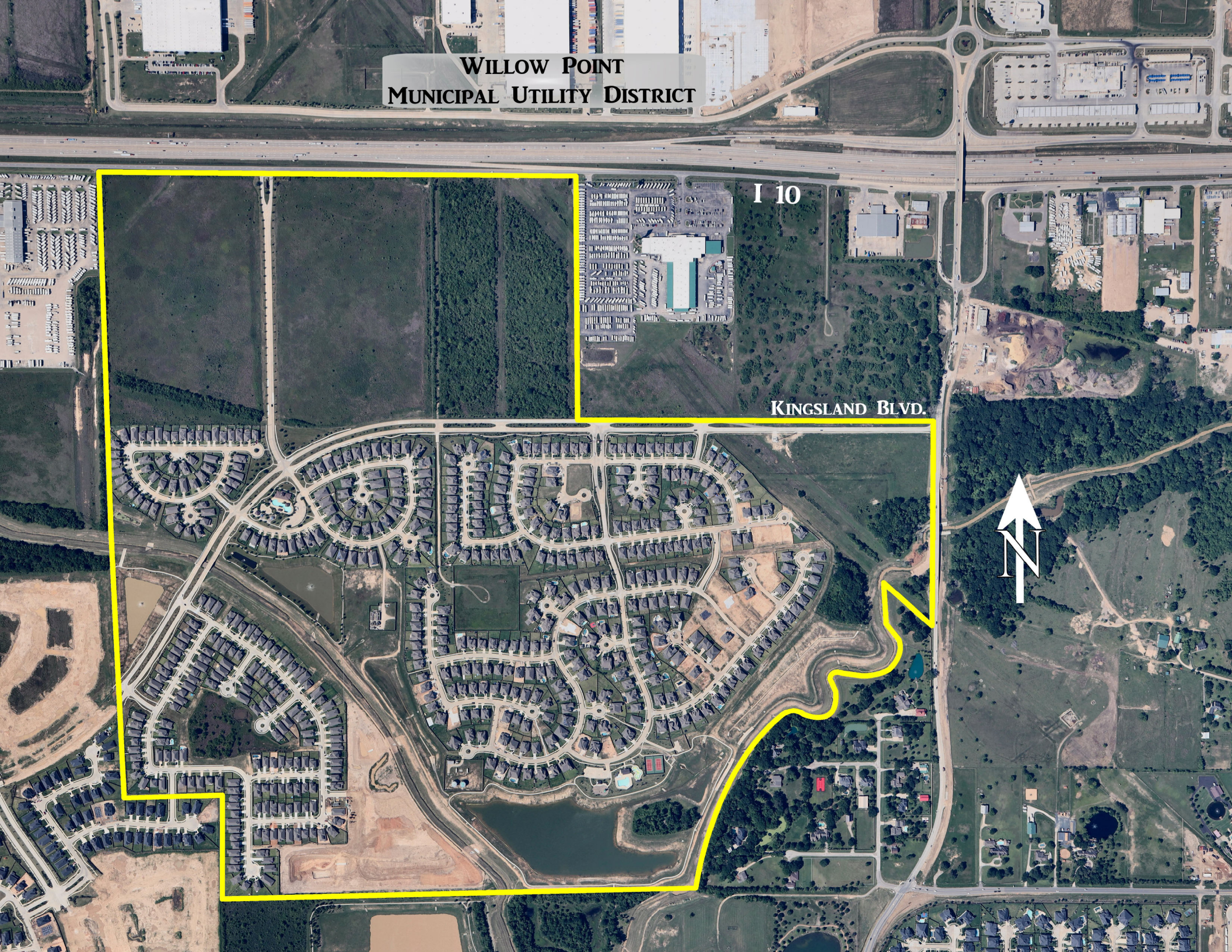
/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of April 2020)

**WILLOW POINT
MUNICIPAL UTILITY DISTRICT**

I 10

KINGSLAND BLVD.



**PHOTOGRAPHS OF THE DISTRICT
(As of April 2020)**













APPENDIX A

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

The information contained in this appendix includes the Annual Audit Report of Willow Point Municipal Utility District and certain supplemental information for the fiscal year ended May 31, 2019.

WILLOW POINT MUNICIPAL UTILITY DISTRICT

FORT BEND AND WALLER COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

WILLOW POINT MUNICIPAL UTILITY DISTRICT

FORT BEND AND WALLER COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willow Point Municipal
Utility District
Fort Bend and Waller Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Willow Point Municipal Utility District (the "District"), as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 5, 2019

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

Management's discussion and analysis of Willow Point Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District's assets and liabilities, and if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$12,010,572 as of May 31, 2019.

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

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 2,551,072	\$ 2,019,442	\$ 531,630
Capital Assets (Net of Accumulated Depreciation)	<u>14,740,353</u>	<u>12,247,044</u>	<u>2,493,309</u>
Total Assets	<u>\$ 17,291,425</u>	<u>\$ 14,266,486</u>	<u>\$ 3,024,939</u>
Due to Developer	\$ 15,843,420	\$ 13,501,724	\$ (2,341,696)
Bonds Payable	10,735,000	10,980,000	245,000
Other Liabilities	<u>2,723,577</u>	<u>258,852</u>	<u>(2,464,725)</u>
Total Liabilities	<u>\$ 29,301,997</u>	<u>\$ 24,740,576</u>	<u>\$ (4,561,421)</u>
Net Position:			
Net Investment in Capital Assets	\$ (13,976,002)	\$ (11,979,081)	\$ (1,996,921)
Restricted	849,618	778,740	70,878
Unrestricted	<u>1,115,812</u>	<u>726,251</u>	<u>389,561</u>
Total Net Position	<u>\$ (12,010,572)</u>	<u>\$ (10,474,090)</u>	<u>\$ (1,536,482)</u>

The following table provides a summary of the District's operations for the years ended May 31, 2019, and May 31, 2018. The District's net position decreased by \$1,536,482.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,391,155	\$ 1,058,787	\$ 332,368
Charges for Services	775,370	560,893	214,477
Other Revenues	<u>57,446</u>	<u>28,293</u>	<u>29,153</u>
Total Revenues	<u>\$ 2,223,971</u>	<u>\$ 1,647,973</u>	<u>\$ 575,998</u>
Expenses for Services	<u>3,760,453</u>	<u>2,661,648</u>	<u>(1,098,805)</u>
Change in Net Position	\$ (1,536,482)	\$ (1,013,675)	\$ (522,807)
Net Position, Beginning of Year	<u>(10,474,090)</u>	<u>(9,460,415)</u>	<u>(1,013,675)</u>
Net Position, End of Year	<u>\$ (12,010,572)</u>	<u>\$ (10,474,090)</u>	<u>\$ (1,536,482)</u>

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2019, were a deficit of \$112,950, a decrease of \$1,935,935 from the prior year.

The General Fund fund balance increased by \$319,328 from the prior year, primarily due to tax and operating revenues exceeding the costs of operation expenditures.

The Debt Service Fund increased by \$73,675, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$2,328,938. The District sold its Series 2018 BAN and used the proceeds to reimburse developers for various projects (see note 12). The BAN which has been recorded as a current liability in the Capital Projects Fund, will be retired upon the issuance of bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current year to increase revenues across all categories and to increase contracted services, water authority fees, and repairs and maintenance costs. Actual revenues were \$1,063 less than budgeted revenues primarily due to lower than anticipated wastewater service and regional water authority fee revenues, offset by higher than anticipated maintenance taxes and water service revenues. Actual expenditures were \$117,814 more than budgeted expenditures primarily due to higher than anticipated costs across most categories.

CAPITAL ASSETS

Capital assets as of May 31, 2019, total \$14,740,353 (net of accumulated depreciation). These capital assets include the water and wastewater systems, and park assets. Roads are conveyed to the County upon completion.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,266,324	\$ 763,848	\$ 502,476
Construction in Progress	4,698		4,698
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,938,172	2,748,663	189,509
Wastewater System	3,648,567	2,709,400	939,167
Drainage System	6,851,915	5,992,376	859,539
Park Assets	30,677	32,757	(2,080)
Total Net Capital Assets	\$ 14,740,353	\$ 12,247,044	\$ 2,493,309

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$10,735,000. The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	\$ 10,980,000
Less: Bond Principal Paid	<u>245,000</u>
Bond Debt Payable, May 31, 2019	<u>\$ 10,735,000</u>

The Series 2015, Series 2017, and Series 2017 Road bonds do not carry an underlying rating or an insured rating.

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 Willow Point Municipal Utility District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 95,412	\$ 48,811
Investments	1,284,106	902,183
Receivables:		
Property Taxes	9,788	10,532
Service Accounts	47,741	
Accrued Interest	477	279
Due from Other Funds	15,783	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,453,307	\$ 961,805
LIABILITIES		
Accounts Payable	\$ 201,986	\$
Accrued Interest Payable		
Due to Developers	16,524	
Due to Other Funds		15,783
Due to Taxpayers		5
Security Deposits	59,350	
Bond Anticipation Note Payable		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 277,860	\$ 15,788
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 9,788	\$ 10,532
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		935,485
Unassigned	1,165,659	
TOTAL FUND BALANCES	\$ 1,165,659	\$ 935,485
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,453,307	\$ 961,805
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
\$ 100	\$ 144,323	\$	\$ 144,323
151,643	2,337,932		2,337,932
	20,320		20,320
	47,741		47,741
	756		756
	15,783	(15,783)	
		1,266,324	1,266,324
		4,698	4,698
		13,469,331	13,469,331
<u>\$ 151,743</u>	<u>\$ 2,566,855</u>	<u>\$ 14,724,570</u>	<u>\$ 17,291,425</u>
\$ 38	\$ 202,024	\$	\$ 202,024
40,799	40,799	96,399	137,198
	16,524	15,826,896	15,843,420
	15,783	(15,783)	
	5		5
	59,350		59,350
2,325,000	2,325,000		2,325,000
		350,000	350,000
		10,385,000	10,385,000
<u>\$ 2,365,837</u>	<u>\$ 2,659,485</u>	<u>\$ 26,642,512</u>	<u>\$ 29,301,997</u>
<u>\$ -0-</u>	<u>\$ 20,320</u>	<u>\$ (20,320)</u>	<u>\$ -0-</u>
\$ (2,214,094)	\$ (2,214,094)	\$ 2,214,094	\$
	935,485	(935,485)	
	1,165,659	(1,165,659)	
<u>\$ (2,214,094)</u>	<u>\$ (112,950)</u>	<u>\$ 112,950</u>	<u>\$ -0-</u>
<u>\$ 151,743</u>	<u>\$ 2,566,855</u>		
		\$ (13,976,002)	\$ (13,976,002)
		849,618	849,618
		1,115,812	1,115,812
		<u>\$ (12,010,572)</u>	<u>\$ (12,010,572)</u>

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

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2019**

Total Fund Balances - Governmental Funds	\$	(112,950)
--	----	-----------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		14,740,353
--	--	------------

Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		20,320
--	--	--------

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

Due to Developer	\$ (15,826,896)	
Accrued Interest Payable	(96,399)	
Bonds Payable	<u>(10,735,000)</u>	<u>(26,658,295)</u>
Total Net Position - Governmental Activities		<u>\$ (12,010,572)</u>

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

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WILLOW POINT MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 680,777	\$ 718,321
Water Service	194,822	
Wastewater Service	239,727	
Regional Water Authority Fees	209,713	
Penalty and Interest	17,987	13,197
Tap Connection and Inspection Fees	99,924	
Investment Revenues	22,005	15,943
Miscellaneous Revenues	13,084	3,679
TOTAL REVENUES	\$ 1,478,039	\$ 751,140
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 126,161	\$ 3,015
Contracted Services	123,759	37,098
Utilities	57,796	
Regional Water Authority Assessment	212,019	
Repairs and Maintenance	389,121	
Depreciation		
Other	176,832	4,462
Capital Outlay	4,698	
Conveyance of Assets		
Debt Service:		
Bond Principal		245,000
Bond Interest		387,890
Issuance Costs	68,325	
TOTAL EXPENDITURES/EXPENSES	\$ 1,158,711	\$ 677,465
NET CHANGE IN FUND BALANCES	\$ 319,328	\$ 73,675
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2018	846,331	861,810
FUND BALANCES/NET POSITION -		
MAY 31, 2019	\$ 1,165,659	\$ 935,485

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,399,098	\$ (7,943)	\$ 1,391,155
	194,822		194,822
	239,727		239,727
	209,713		209,713
	31,184		31,184
	99,924		99,924
2,735	40,683		40,683
	16,763		16,763
<u>\$ 2,735</u>	<u>\$ 2,231,914</u>	<u>\$ (7,943)</u>	<u>\$ 2,223,971</u>
\$ 8,386	\$ 137,562	\$	\$ 137,562
	160,857		160,857
	57,796		57,796
	212,019		212,019
	389,121		389,121
		339,916	339,916
22	181,316		181,316
2,226,666	2,231,364	(2,231,364)	
		1,730,199	1,730,199
	245,000	(245,000)	
	387,890	(1,147)	386,743
96,599	164,924		164,924
<u>\$ 2,331,673</u>	<u>\$ 4,167,849</u>	<u>\$ (407,396)</u>	<u>\$ 3,760,453</u>
\$ (2,328,938)	\$ (1,935,935)	\$ 1,935,935	\$
		(1,536,482)	(1,536,482)
<u>114,844</u>	<u>1,822,985</u>	<u>(12,297,075)</u>	<u>(10,474,090)</u>
<u>\$ (2,214,094)</u>	<u>\$ (112,950)</u>	<u>\$ (11,897,622)</u>	<u>\$ (12,010,572)</u>

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

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

Net Change in Fund Balances - Governmental Funds \$ (1,935,935)

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. (7,943)

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. (339,916)

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. 2,231,364

Developers may construct certain assets that are reimbursable by the District but will be conveyed to other entities. This conveyance does not impact the governmental funds but is reflected in the Statement of Activities. (1,730,199)

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. 245,000

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. 1,147

Change in Net Position - Governmental Activities \$ (1,536,482)

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 1. CREATION OF DISTRICT

Willow Point Municipal Utility District (the “District”) was created and is operating pursuant to a special act of the 83rd Texas Legislature, now codified at Chapter 8413 of the Texas Special District Local Laws Code, June 14, 2013, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities, recreational facilities and road facilities and to provide such facilities and services to the customers of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic 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:

- 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.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current period revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated 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 a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

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

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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 period. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

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

Capital Assets

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT

	<u>Series 2015</u>	<u>Series 2017</u>	<u>Series 2017 Road</u>
Amount Outstanding – May 31, 2019	\$5,290,000	\$2,945,000	\$2,500,000
Interest Rates	2.00% - 4.20%	2.00% - 4.00%	2.00% - 4.00%
Maturity Date	September 1, 2019/2041	September 1, 2019/2042	September 1, 2019/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022*	September 1, 2023*	September 1, 2023*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2015 term bonds maturing on September 1, 2032, September 1, 2035, September 1, 2038, and September 1, 2041, are subject to mandatory redemption by random selection beginning September 1, 2030, September 1, 2033, September 1, 2036, and September 1, 2039, respectively. Series 2017 term bonds maturing September 1, 2033, September 1, 2039, and September 1, 2042, are subject to mandatory redemption by random selection beginning September 1, 2031, September 1, 2034, and September 1, 2040, respectively. Series 2017 Road term bonds maturing on September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2035.

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

	<u>June 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>May 31, 2019</u>
Bonds Payable	<u>\$ 10,980,000</u>	<u>\$ - 0 -</u>	<u>\$ 245,000</u>	<u>\$ 10,735,000</u>
			Amount Due Within One Year	\$ 350,000
			Amount Due After One Year	10,385,000
			Bonds Payable	<u>\$ 10,735,000</u>

As of May 31, 2019, the District has authorized and unissued bonds in the amount of \$87,910,000 for water, wastewater and drainage facilities, authorized but unissued bonds in the amount of \$7,000,000 for recreational facilities, and authorized and unissued bonds in the amount of \$38,500,000 for roads. The District has authorized and unissued refunding bonds totaling one and one-half times the bond authorizations.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2020	\$ 350,000	\$ 382,096	\$ 732,096
2021	355,000	374,921	729,921
2022	365,000	366,646	731,646
2023	370,000	356,746	726,746
2024	375,000	345,947	720,947
2025-2029	2,015,000	1,545,860	3,560,860
2030-2034	2,275,000	1,165,064	3,440,064
2035-2039	2,625,000	684,318	3,309,318
2040-2043	2,005,000	143,425	2,148,425
	<u>\$ 10,735,000</u>	<u>\$ 5,365,023</u>	<u>\$ 16,100,023</u>

During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of \$0.76 per \$100 of assessed valuation, which resulted in a tax levy of \$714,377 on the adjusted taxable valuation of \$93,996,895 for the 2018 tax year. The bond order and bond resolution required 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 6 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 RESOLUTIONS AND LEGAL REQUIREMENTS

- A. The District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- B. In the bond resolutions, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each use.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

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

C. In accordance with the Series 2017 and Series 2017 Road bond resolutions, a portion of the bond proceeds were deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve - June 1, 2018	\$	164,122
Less: Interest - Series 2017 and Series 2017 Road		<u>(96,263)</u>
Bond Interest Reserve - May 31, 2019		<u>\$ 67,859</u>

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 year end, the carrying amount of the District’s deposits was \$784,323 and the bank balance was \$785,086. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2019, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 95,412	\$ 400,000	\$ 495,412
DEBT SERVICE FUND	48,811	240,000	288,811
CAPITAL PROJECTS FUND	<u>100</u>	<u> </u>	<u>100</u>
TOTAL DEPOSITS	<u>\$ 144,323</u>	<u>\$ 640,000</u>	<u>\$ 784,323</u>

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 884,106	\$ 884,106
Certificates of Deposit	400,000	400,000
<u>DEBT SERVICE FUND</u>		
TexPool	662,183	662,183
Certificate of Deposit	240,000	240,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	151,643	151,643
TOTAL INVESTMENTS	\$ 2,337,932	\$ 2,337,932

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. At May 31, 2019, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with maturities less than one year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year. 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.

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. MAINTENANCE TAX

On November 5, 2013, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. This maintenance tax is to be used to pay expenditures of operating the District. During the year ended May 31, 2019, the District levied a maintenance tax of \$0.72 per \$100 of assessed

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 6. MAINTENANCE TAX (Continued)

valuation resulting in a levy of \$676,778 on the adjusted taxable valuation of \$93,996,895 for the 2018 tax year.

On November 5, 2013, the voters of the District approved the levy and collection of a parks and recreational maintenance tax in an amount not to exceed \$0.10 per \$100 of assessed valuation. During the current year, the District did not levy a parks and recreational maintenance tax.

NOTE 7. CAPITAL ASSETS

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

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 763,848	\$ 502,476	\$	\$ 1,266,324
Construction in Progress		2,330,749	2,326,051	4,698
Total Capital Assets Not Being Depreciated	<u>\$ 763,848</u>	<u>\$ 2,833,225</u>	<u>\$ 2,326,051</u>	<u>\$ 1,271,022</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,183,095	\$ 306,791	\$	\$ 3,489,886
Wastewater System	2,930,134	1,009,943	\$	3,940,077
Drainage System	6,486,869	1,009,317	\$	7,496,186
Park Assets	41,606			41,606
Total Capital Assets Subject to Depreciation	<u>\$ 12,641,704</u>	<u>\$ 2,326,051</u>	<u>\$ - 0 -</u>	<u>\$ 14,967,755</u>
Accumulated Depreciation				
Water System	\$ 434,432	\$ 117,282	\$	\$ 551,714
Wastewater System	220,734	70,776	\$	291,510
Drainage System	494,493	149,778	\$	644,271
Park Assets	8,849	2,080	\$	10,929
Total Accumulated Depreciation	<u>\$ 1,158,508</u>	<u>\$ 339,916</u>	<u>\$ - 0 -</u>	<u>\$ 1,498,424</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,483,196</u>	<u>\$ 1,986,135</u>	<u>\$ - 0 -</u>	<u>\$ 13,469,331</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,247,044</u>	<u>\$ 4,819,360</u>	<u>\$ 2,326,051</u>	<u>\$ 14,740,353</u>

Roadways constructed by the District are accepted by either Fort Bend County or Waller County for maintenance and operation. The roadways conveyed had a total cost to the District in the amount of \$10,100,591, including \$1,730,199 conveyed in the current year.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 8. UNREIMBURSED COSTS

In accordance with the terms of development financing agreements, Developers within the District have made expenditures on behalf of the District for various projects. As of May 31, 2019, the District recorded amounts due to Developer of \$15,767,261, for completed projects. Since inception, the Developers have also made operating advances totaling \$538,171. Of these advances, \$478,536 has been reimbursed. Reimbursement for project costs and operating advances will come from proceeds of future bond sales, as allowed by the Commission.

NOTE 9. SEWAGE TREATMENT PLANT LEASE

On November 26, 2013, the District entered an agreement with AUC Group, LP (AUC) to operate and maintain a sewage treatment plant to serve customers of the District. The agreement calls for AUC to operate a Phase I sewage treatment plant capable of treating an average daily flow of 100,000 gallons per day (400,000 gallons per day peak flow) and a future Phase II capable of treating an average daily flow of 200,000 gallons per day (800,000 gallons per day peak flow). The initial term of the agreement is twelve months commencing the first day of the month following substantial completion and startup of Phase I. The term of the agreement for Phase II is 36 months commencing the first day of the month following substantial completion and startup of Phase II. If each Phase installation is not complete within 180 days of engineer notification, the District may terminate the contract under the terms of the contract.

Phase II installation costs total \$77,000, payable in partial payments. Phase I lease payments total \$91,200 payable in 12 monthly installments of \$7,600, with first and last month payable upon execution of the agreement. Phase II lease payments total \$460,800, payable in 36 monthly installments of \$12,800. The agreement may be extended on a month-to-month basis after the initial terms (either Phase I or Phase II) with Phase I extended term monthly rental payments of \$7,600 and Phase II extended term monthly rental payments of \$11,600.

The District has the option to purchase the Phase I and/or Phase II equipment as is, where is at any time during the initial term of the agreement or under any month-to-month extension of the agreement for a residual value as outlined in the agreement.

During a prior year, the District exercised the option to purchase the Phase I equipment for \$490,190. Phase II construction has not been started at this time.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and no settlements have exceeded coverage amounts since inception.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 11. NORTH FORT BEND WATER AUTHORITY

The District is located within the boundaries of the North Fort Bend Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by Senate Bill 1798 (the “Act”), as passed by the 79th Texas Legislature, in 2005. 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 seven-member board of directors governs the Authority.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fees being charged are \$3.65 per 1,000 gallons of water pumped from each well and \$4.00 per 1,000 gallons of surface water purchased. Pumpage fees totaled \$212,019 during the current fiscal year.

NOTE 12. SALE OF BOND ANTICIPATION NOTE AND DEFICIT FUND BALANCE

On November 29, 2018, the District closed on the sale of its \$2,325,000 Series 2018 Bond Anticipation Note (“BAN”). Proceeds from the BAN sale were used to reimburse the Developers for: water, sewer, and drainage facilities serving Ansera Trail and Kingsland Blvd., Trails of Katy, Phase 1 and Ansera, Sections 1 and 2; storm water pollution prevention planning; engineering and materials testing; and BAN issuance costs. The BAN will be retired with proceeds of the Series 2019 bond sale in the amount of \$5,000,000 which is anticipated to occur on October 8, 2019, subsequent to year-end.

As of May 31, 2019, the District recorded a deficit fund balance of \$2,214,094 in the Capital Projects Fund. The deficit will be alleviated when the District sells its Series 2019 bonds and the Series 2018 BAN is retired.

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WILLOW POINT MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
MAY 31, 2019

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 532,634	\$ 665,568	\$ 680,777	\$ 15,209
Water Service	150,116	170,000	194,822	24,822
Wastewater Service	177,001	252,000	239,727	(12,273)
Regional Water Authority Fee	171,666	250,000	209,713	(40,287)
Penalty and Interest	8,217	12,000	17,987	5,987
Tap Connection and Inspection Fees	65,704	106,904	99,924	(6,980)
Investment Revenues	13,200	13,200	22,005	8,805
Miscellaneous Revenues	9,430	9,430	13,084	3,654
TOTAL REVENUES	<u>\$ 1,127,968</u>	<u>\$1,479,102</u>	<u>\$ 1,478,039</u>	<u>\$ (1,063)</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 101,500	\$ 101,500	\$ 126,161	\$ (24,661)
Contracted Services	98,613	106,968	123,759	(16,791)
Utilities	55,900	55,900	57,796	(1,896)
Regional Water Authority Assessment	171,666	250,000	212,019	37,981
Repairs and Maintenance	253,024	277,703	389,121	(111,418)
Other	135,626	135,626	176,832	(41,206)
Bond Issuance Costs			68,325	(68,325)
Capital Outlay	113,200	113,200	4,698	108,502
TOTAL EXPENDITURES	<u>\$ 929,529</u>	<u>\$1,040,897</u>	<u>\$ 1,158,711</u>	<u>\$(117,814)</u>
NET CHANGE IN FUND BALANCE	\$ 198,439	\$ 438,205	\$ 319,328	\$(118,877)
FUND BALANCE - JUNE 1, 2018	<u>846,331</u>	<u>846,331</u>	<u>846,331</u>	<u>_____</u>
FUND BALANCE - MAY 31, 2019	<u>\$ 1,044,770</u>	<u>\$1,284,536</u>	<u>\$ 1,165,659</u>	<u>\$(118,877)</u>

See accompanying independent auditor's report.

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WILLOW POINT MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MAY 31, 2019

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective September 6, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$32.00	10,000	N	\$2.90 \$3.50 \$4.40	10,001 to 20,000 20,001 to 25,000 Over 25,001
WASTEWATER:	\$32.00	10,000	N	\$1.50 \$1.75 \$2.00	10,001 to 20,000 20,001 to 25,000 Over 25,001

SURCHARGE:

North Fort Bend Water Authority Fee	\$ 4.02 per 1,000 gallons	
Garbage Fee per Residential Connection	\$16.12	Y

District employs winter averaging for wastewater usage?
 X
 Yes No

Total monthly charges per 10,000 gallons usage: Water: \$32.00 Wastewater: \$32.00 Surcharge: \$56.32 Total: \$120.32

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>496</u>	<u>493</u>	x 1.0	<u>493</u>
1"	<u>5</u>	<u>5</u>	x 2.5	<u>13</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>11</u>	<u>11</u>	x 8.0	<u>88</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>516</u></u>	<u><u>513</u></u>		<u><u>614</u></u>
Total Wastewater Connections	<u><u>491</u></u>	<u><u>488</u></u>	x 1.0	<u><u>488</u></u>

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

Gallons pumped into system:	57,169,000	Water Accountability Ratio: 96%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	53,124,000	
Repairs:	2,004,000	

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

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

Does the District have Debt Service standby fees? Yes No

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

4. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

Counties in which District is located:

Fort Bend County, Texas

Waller County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 12,000
Engineering	52,850
Legal	<u>61,311</u>
TOTAL PROFESSIONAL FEES	<u>\$ 126,161</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 21,619
Operations and Billing	<u>36,673</u>
TOTAL CONTRACTED SERVICES	<u>\$ 58,292</u>
UTILITIES:	
Electricity	\$ 56,909
Telephone	<u>887</u>
TOTAL UTILITIES	<u>\$ 57,796</u>
REPAIRS AND MAINTENANCE	<u>\$ 389,121</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,750
Insurance	12,052
Office Supplies and Postage	7,369
Payroll Taxes	516
Travel and Meetings	4,302
Other	<u>17,438</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 48,427</u>
CAPITAL OUTLAY	<u>\$ 4,698</u>
TAP CONNECTIONS	<u>\$ 52,576</u>
SOLID WASTE DISPOSAL	<u>\$ 65,467</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019**

OTHER EXPENDITURES:	
Chemicals	\$ 9,788
Laboratory Fees	12,943
Permit Fees	3,178
Inspection Fees	32,686
Regional Water Authority Assessment	212,019
Regulatory Assessment	2,119
Sludge Hauling	<u>15,115</u>
TOTAL OTHER EXPENDITURES	<u>\$ 287,848</u>
BOND ISSUANCE COSTS	<u>\$ 68,325</u>
TOTAL EXPENDITURES	<u><u>\$ 1,158,711</u></u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MAY 31, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 884,106	\$
Certificate of Deposit	XXXX6946	2.75%	05/13/20	100,000	128
Certificate of Deposit	XXXX2340	2.50%	02/08/20	100,000	117
Certificate of Deposit	XXXX0582	2.50%	04/08/20	100,000	116
Certificate of Deposit	XXXX4494	2.50%	03/09/20	100,000	116
TOTAL GENERAL FUND				<u>\$ 1,284,106</u>	<u>\$ 477</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 449,106	\$
TexPool	XXXX0006	Varies	Daily	213,077	
Certificate of Deposit	XXXX0583	2.50%	02/08/20	240,000	279
TOTAL DEBT SERVICE FUND				<u>\$ 902,183</u>	<u>\$ 279</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,203	\$
TexPool	XXXX0004	Varies	Daily	108,958	
TexPool	XXXX0005	Varies	Daily	6,513	
TexPool	XXXX0007	Varies	Daily	34,969	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 151,643</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 2,337,932</u>	<u>\$ 756</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE FOR THE
YEAR ENDED MAY 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2018	\$	13,787	\$	14,476
Adjustments to Beginning				
Balance		\$ 13,787		\$ 14,476
Original 2018 Tax Levy	\$	679,151	\$	716,882
Adjustment to 2018 Tax Levy		(2,373)	676,778	(2,505)
TOTAL TO BE				
ACCOUNTED FOR		\$ 690,565		\$ 728,853
TAX COLLECTIONS:				
Prior Years	\$	11,496	\$	11,858
Current Year		669,281	680,777	706,463
TAXES RECEIVABLE -				
MAY 31, 2019		\$ 9,788		\$ 10,532
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	7,497	\$	7,914
2017		2,291		2,618
TOTAL		\$ 9,788		\$ 10,532

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE FOR THE
YEAR ENDED MAY 31, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 23,635,390	\$ 21,943,260	\$ 25,409,800	\$ 14,277,230
Improvements	72,783,280	49,963,680	33,188,320	9,156,470
Personal Property	138,986	181,480	182,871	184,946
Exemptions	<u>(2,560,761)</u>	<u>(1,502,608)</u>	<u>(617,086)</u>	<u>(2,557,470)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 93,996,895</u>	<u>\$ 70,585,812</u>	<u>\$ 58,163,905</u>	<u>\$ 21,061,176</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.76	\$ 0.80	\$ 0.60	\$ 0.00
Maintenance	<u>0.72</u>	<u>0.70</u>	<u>0.90</u>	<u>1.50</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.48</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 1,391,155</u>	<u>\$ 1,058,787</u>	<u>\$ 872,459</u>	<u>\$ 315,917</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.89 %</u>	<u>99.54 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters November 5, 2013.

Maintenance Tax for Parks and Recreational facilities – Maximum tax rate of \$0.10 per \$100 of assessed valuation approved by voters November 5, 2013.

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2019**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 125,000	\$ 198,764	\$ 323,764
2021	130,000	196,214	326,214
2022	140,000	192,813	332,813
2023	145,000	188,539	333,539
2024	150,000	184,114	334,114
2025	160,000	179,464	339,464
2026	170,000	174,301	344,301
2027	180,000	168,389	348,389
2028	185,000	161,886	346,886
2029	195,000	154,876	349,876
2030	205,000	147,376	352,376
2031	220,000	139,133	359,133
2032	230,000	130,133	360,133
2033	240,000	120,733	360,733
2034	255,000	110,832	365,832
2035	265,000	100,432	365,432
2036	280,000	89,532	369,532
2037	295,000	77,848	372,848
2038	310,000	65,370	375,370
2039	325,000	52,273	377,273
2040	345,000	38,325	383,325
2041	360,000	23,520	383,520
2042	380,000	7,980	387,980
2043			
	\$ 5,290,000	\$ 2,902,847	\$ 8,192,847

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2019**

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 125,000	\$ 99,508	\$ 224,508
2021	125,000	96,882	221,882
2022	125,000	94,008	219,008
2023	125,000	90,882	215,882
2024	125,000	87,508	212,508
2025	125,000	83,882	208,882
2026	125,000	80,133	205,133
2027	125,000	76,289	201,289
2028	125,000	72,257	197,257
2029	125,000	68,070	193,070
2030	125,000	63,758	188,758
2031	125,000	59,320	184,320
2032	125,000	54,695	179,695
2033	120,000	50,040	170,040
2034	120,000	45,480	165,480
2035	120,000	40,800	160,800
2036	120,000	36,000	156,000
2037	120,000	31,200	151,200
2038	120,000	26,400	146,400
2039	120,000	21,600	141,600
2040	120,000	16,800	136,800
2041	120,000	12,000	132,000
2042	120,000	7,200	127,200
2043	120,000	2,400	122,400
	\$ 2,945,000	\$ 1,317,112	\$ 4,262,112

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2019**

SERIES - 2017 ROAD

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 100,000	\$ 83,824	\$ 183,824
2021	100,000	81,825	181,825
2022	100,000	79,825	179,825
2023	100,000	77,325	177,325
2024	100,000	74,325	174,325
2025	100,000	71,325	171,325
2026	100,000	68,325	168,325
2027	100,000	65,325	165,325
2028	100,000	62,263	162,263
2029	100,000	59,075	159,075
2030	100,000	55,763	155,763
2031	100,000	52,325	152,325
2032	100,000	48,825	148,825
2033	100,000	45,263	145,263
2034	110,000	41,388	151,388
2035	110,000	37,263	147,263
2036	110,000	33,000	143,000
2037	110,000	28,600	138,600
2038	110,000	24,200	134,200
2039	110,000	19,800	129,800
2040	110,000	15,400	125,400
2041	110,000	11,000	121,000
2042	110,000	6,600	116,600
2043	110,000	2,200	112,200
	<u>\$ 2,500,000</u>	<u>\$ 1,145,064</u>	<u>\$ 3,645,064</u>

See accompanying independent auditor's report.

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**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2019**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 350,000	\$ 382,096	\$ 732,096
2021	355,000	374,921	729,921
2022	365,000	366,646	731,646
2023	370,000	356,746	726,746
2024	375,000	345,947	720,947
2025	385,000	334,671	719,671
2026	395,000	322,759	717,759
2027	405,000	310,003	715,003
2028	410,000	296,406	706,406
2029	420,000	282,021	702,021
2030	430,000	266,897	696,897
2031	445,000	250,778	695,778
2032	455,000	233,653	688,653
2033	460,000	216,036	676,036
2034	485,000	197,700	682,700
2035	495,000	178,495	673,495
2036	510,000	158,532	668,532
2037	525,000	137,648	662,648
2038	540,000	115,970	655,970
2039	555,000	93,673	648,673
2040	575,000	70,525	645,525
2041	590,000	46,520	636,520
2042	610,000	21,780	631,780
2043	230,000	4,600	234,600
	<u>\$ 10,735,000</u>	<u>\$ 5,365,023</u>	<u>\$ 16,100,023</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Willow Point Municipal Utility District Unlimited Tax Bonds - Series 2015	\$ 5,520,000	\$ 5,410,000
Willow Point Municipal Utility District Unlimited Tax Bonds - Series 2017	3,070,000	3,070,000
Willow Point Municipal Utility District Unlimited Tax Road Bonds - Series 2017	<u>2,500,000</u>	<u>2,500,000</u>
TOTAL	<u><u>\$ 11,090,000</u></u>	<u><u>\$ 10,980,000</u></u>

Bond Authority:	<u>Utility Bonds</u>	<u>Refunding Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 96,500,000	\$ 144,750,000	\$ 41,000,000
Amount Issued	<u>8,590,000</u>	<u> </u>	<u>2,500,000</u>
Remaining to be Issued	<u><u>\$ 87,910,000</u></u>	<u><u>\$ 144,750,000</u></u>	<u><u>\$ 38,500,000</u></u>

*

Debt Service Fund cash, investments and cash with paying agent balances as of May 31, 2019:	<u><u>\$ 950,994</u></u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u><u>\$ 670,834</u></u>

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

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 120,000	\$ 201,214	\$ 5,290,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	125,000	101,851	2,945,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
		84,825	2,500,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 245,000</u>	<u>\$ 387,890</u>	<u>\$ 10,735,000</u>	
<u>Park Bonds</u>				
\$ 7,000,000				
<u>\$ 7,000,000</u>				

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 680,777	\$ 490,827	\$ 516,355
Water Service	194,822	137,494	100,588
Wastewater Service	239,727	169,198	117,342
Regional Water Authority Fee	209,713	154,376	99,715
Penalty and Interest	17,987	8,118	5,517
Tap Connection and Inspection Fees	99,924	87,352	67,567
Investment Revenues	22,005	7,960	1,289
Miscellaneous Revenues	13,084	8,964	12,938
TOTAL REVENUES	\$ 1,478,039	\$ 1,064,289	\$ 921,311
EXPENDITURES			
Professional Fees	\$ 126,161	\$ 75,260	\$ 85,381
Contracted Services	123,759	88,685	65,408
Lease Costs			
Utilities	57,796	55,125	42,665
Regional Water Authority Assessment	212,019	152,533	103,071
Repairs and Maintenance	389,121	224,050	220,007
Other	176,832	129,990	134,335
Bond Issuance Costs	68,325		
Capital Outlay	4,698	10,420	
TOTAL EXPENDITURES	\$ 1,158,711	\$ 736,063	\$ 650,867
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 319,328	\$ 328,226	\$ 270,444
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Developer Advances			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 319,328	\$ 328,226	\$ 270,444
BEGINNING FUND BALANCE	846,331	518,105	247,661
ENDING FUND BALANCE	\$ 1,165,659	\$ 846,331	\$ 518,105

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 312,737	\$ 84,288	46.0 %	46.2 %	56.2 %	54.8 %	30.4 %
65,642	33,889	13.2	12.9	10.9	11.5	12.2
75,856	34,483	16.2	15.9	12.7	13.3	12.4
58,590	30,023	14.2	14.5	10.8	10.2	10.8
9,331	2,702	1.2	0.8	0.6	1.6	1.0
41,033	87,086	6.8	8.2	7.3	7.2	31.3
155	41	1.5	0.7	0.1		
8,287	5,410	0.9	0.8	1.4	1.4	1.9
<u>\$ 571,631</u>	<u>\$ 277,922</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 102,762	\$ 116,875	8.5 %	7.1 %	9.3 %	18.0 %	42.1 %
62,316	41,528	8.4	8.3	7.1	10.9	14.9
	60,800					21.9
43,702	43,375	3.9	5.2	4.6	7.6	15.6
60,321	31,207	14.3	14.3	11.2	10.6	11.2
158,948	127,740	26.3	21.1	23.9	27.8	46.0
112,383	151,639	12.0	12.2	14.6	19.7	54.6
		4.6				
		0.3	1.0			
<u>\$ 540,432</u>	<u>\$ 573,164</u>	<u>78.3 %</u>	<u>69.2 %</u>	<u>70.7 %</u>	<u>94.6 %</u>	<u>206.3 %</u>
<u>\$ 31,199</u>	<u>\$ (295,242)</u>	<u>21.7 %</u>	<u>30.8 %</u>	<u>29.3 %</u>	<u>5.4 %</u>	<u>(106.3) %</u>
\$ 60,800	\$					
<u>170,100</u>	<u>226,821</u>					
<u>\$ 230,900</u>	<u>\$ 226,821</u>					
\$ 262,099	\$ (68,421)					
<u>(14,438)</u>	<u>53,983</u>					
<u>\$ 247,661</u>	<u>\$ (14,438)</u>					

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 718,321	\$ 557,219	\$ 341,975
Penalty and Interest	13,197	4,355	3,579
Investment Revenues	15,943	7,613	1,949
Miscellaneous Revenues	3,679	2,951	186
TOTAL REVENUES	<u>\$ 751,140</u>	<u>\$ 572,138</u>	<u>\$ 347,689</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 42,325	\$ 39,632	\$ 32,601
Debt Service Principal	245,000	110,000	
Debt Service Interest and Fees	390,140	313,485	205,363
TOTAL EXPENDITURES	<u>\$ 677,465</u>	<u>\$ 463,117</u>	<u>\$ 237,964</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 73,675</u>	<u>\$ 109,021</u>	<u>\$ 109,725</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	<u>\$ - 0 -</u>	<u>\$ 169,650</u>	<u>102,945</u>
NET CHANGE IN FUND BALANCE	\$ 73,675	\$ 278,671	\$ 212,670
BEGINNING FUND BALANCE	<u>861,810</u>	<u>583,139</u>	<u>370,469</u>
ENDING FUND BALANCE	<u>\$ 935,485</u>	<u>\$ 861,810</u>	<u>\$ 583,139</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>513</u>	<u>384</u>	<u>266</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>488</u>	<u>361</u>	<u>245</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$		95.6 %	97.4 %	98.3 %		%
		1.8	0.8	1.0		
531		2.1	1.3	0.6	100.0	
		0.5	0.5	0.1		
<u>531.0</u>		<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0</u>	
\$ 71		5.6 %	6.9 %	9.4 %	13.4 %	
		32.6	19.2			
<u>39,218</u>		<u>51.9</u>	<u>54.8</u>	<u>59.1</u>	<u>7,385.7</u>	
\$ <u>39,289</u>		<u>90.1 %</u>	<u>80.9 %</u>	<u>68.5 %</u>	<u>7,399.1</u>	
\$ (38,758)		<u>9.9 %</u>	<u>19.1 %</u>	<u>31.5 %</u>	<u>(7,299.1)</u>	<u>N/A</u>
<u>409,227</u>						
\$ 370,469						
\$ <u>370,469</u>	<u>N/A</u>					
<u>189</u>	<u>135</u>					
<u>176</u>	<u>123</u>					

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019**

District Mailing Address - Willow Point Municipal Utility District
c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP
1980 Post Oak Boulevard, Suite 1380
Houston, TX 77056-3970

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended May 31, 2019	Expense reimbursements for the year ended May 31, 2019	Title
Ryan B. Niles	05/2016 – 05/2020 (Elected)	\$ 450	\$ 33	President
Will Gutowsky, P.E.	05/2018 – 05/2022 (Elected)	\$ 1,950	\$ 212	Vice President
Doug Schmidt	05/2016 – 05/2020 (Elected)	\$ 600	\$ 55	Secretary
David L. Salley	05/2018 – 05/2022 (Elected)	\$ 1,050	\$ 16	Assistant Secretary
Simon VanDyk	05/2018 – 05/2020 (Appointed)	\$ 2,700	\$ 2,196	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: May 11, 2018.

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

See accompanying independent auditor’s report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2019</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/22/13	\$ 66,453 \$ 30,300 \$ 3,015	General Counsel/ Bond Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/25/14	\$ 12,000 \$ 7,750	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	05/03/18	\$ 23,022 \$ 2,250	Bookkeeper Bond Related
Jones & Carter, Inc.	01/22/13	\$ 106,331	Engineer
Masterson Advisors LLC	05/03/18	\$ 23,250	Financial Advisor
Mark Burton		\$ -0-	Investment Officer
Ghia Lewis		\$ -0-	Investment Officer
Si Environmental LLC	08/14/13	\$ 388,443	Operator
Utility Tax Services, LLC	06/19/13	\$ 26,644	Tax Assessor/ Collector

See accompanying independent auditor's report.