OFFICIAL STATEMENT DATED SEPTEMBER 17, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 536, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "Baa3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,350,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 536

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

UNLIMITED TAX ROAD BONDS
SERIES 2020A

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

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

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

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (Sept. 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2022	$ 325,000	4.000%	0.50%	41428T FC3	2027	$ 175,000	(b)	2.000%	1.25%	41428T FH2
2023	175,000	4.000	0.60	41428T FD1	2028	175,000	(b)	2.000	1.40	41428T FJ8
2024	175,000	4.000	0.70	41428T FE9	2029	175,000	(b)	2.000	1.55	41428T FK5
2025	175,000	4.000	0.85	41428T FF6	2030	175,000	(b)	2.000	1.70	41428T FL3
2026	175,000	4.000	1.00	41428T FG4						

$350,000 Term Bonds due September 1, 2032 (b), 41428T FN9 (c), 2.000% Interest Rate, 2.00% Yield (a)
$350,000 Term Bonds due September 1, 2034 (b), 41428T FQ2 (c), 2.000% Interest Rate, 2.10% Yield (a)
$350,000 Term Bonds due September 1, 2036 (b), 41428T FS8 (c), 2.000% Interest Rate, 2.20% Yield (a)
$350,000 Term Bonds due September 1, 2038 (b), 41428T FU3 (c), 2.125% Interest Rate, 2.25% Yield (a)
$350,000 Term Bonds due September 1, 2040 (b), 41428T FW9 (c), 2.125% Interest Rate, 2.30% Yield (a)
$350,000 Term Bonds due September 1, 2042 (b), 41428T FY5 (c), 2.250% Interest Rate, 2.35% Yield (a)
$525,000 Term Bonds due September 1, 2045 (b), 41428T GB4 (c), 2.250% Interest Rate, 2.40% Yield (a)

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

(b) The Bonds maturing on or after September 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

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

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 536 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about October 20, 2020.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX C—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer .... Harris County Municipal Utility District No. 536 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue .... $4,350,000 Harris County Municipal Utility District No. 536 Unlimited Tax Road Bonds, Series 2020A, dated October 1, 2020 (the "Bonds"). The Bonds mature serially on September 1 in each year from 2022 through 2030, both inclusive, and as term bonds on September 1 in each of the years 2032, 2034, 2036, 2038, 2040, 2042 and 2045 (the "Term Bonds") in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from October 1, 2020 and will be payable March 1 and September 1 of each year, commencing March 1, 2021 (five months interest), until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on September 1, 2027 are subject to optional redemption, in whole or, from time to time, in part, on September 1, 2026, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

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

Authority for Issuance .... At an election held within the District on May 9, 2015, voters authorized a total of $76,250,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities. The Bonds constitute the third issuance of bonds from such authorization. After the sale of the Bonds, the District will have $63,900,000 principal amount of unlimited tax bonds authorized and unissued for the purpose of acquiring or constructing road facilities. See "THE BONDS—Issuance of Additional Debt."

Source of Payment .... The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds .... Proceeds from the Bonds will be used to reimburse the Developers (hereinafter defined) for: expenditures associated with certain road improvements serving the District. In addition, bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record................ The District has previously issued $18,655,000 principal amount of unlimited tax bonds in three series, including the $5,500,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") which were sold on August 20, 2020 and are expected to be issued on September 22, 2020, and $8,000,000 principal amount of unlimited tax road bonds in two series (collectively the "Previously Issued Bonds"), of which $26,175,000 principal amount will be outstanding as of September 2, 2020 (following the issuance of the Series 2020 Bonds (the "Outstanding Bonds")). The District has timely paid its debt service on the Previously Issued Bonds.

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

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

Engineer .... Edminster, Hinshaw, Russ & Associates, Inc., Houston, Texas.

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

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

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

Municipal Bond Insurance and Municipal Bond Rating..... It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). The Bonds also have been assigned an underlying credit rating of "Baa3" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX C."

There is no assurance that any of such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P or Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds .See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

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

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.

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

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

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

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

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

THE DISTRICT

Description .... The District is a municipal utility district created by an act of the Texas Legislature (Senate Bill No. 564, Regular Session, dated May 20, 2013), under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Texas Commission on Environmental Quality (the "Commission"). The District contains approximately 535 acres of land. See "THE DISTRICT."

Location .... The District is located approximately 30 miles northwest of downtown Houston, north of Clay Road and west of US Highway 99. Access to the District is provided by US Highway 99 and west on Clay Road. Major thoroughfares to the community include Clay Road, Morton Ranch Road, Katy Hockley Cut-off Road, Stockdick School Road and Porter Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and the boundaries of the Katy Independent School District. See "THE DISTRICT."

Status of Development ...... Approximately 272 acres in the District have been developed as Marcello Lakes, Sections 1 and 2, Treviso Gardens, Sections 1 through 5 and Camillo Lakes Sections 1, 2, 4 and 5, which encompass 1,606 single family lots. In addition, water, sanitary sewer and drainage facilities to serve Marcello Lakes, Section 3 (86 lots on approximately 18 acres) and Camillo Lakes, Section 3 (255 lots on approximately 42 acres) are under construction with completion expected in August 2020.

As of May 8, 2020, 782 homes were complete and occupied, 9 homes were complete and unoccupied, 291 homes were under construction or listed under a builders' name, 341 lots were under construction and 524 vacant developed lots available for home construction. Of the 782 occupied homes, 356 were leased in Treviso Gardens.

There are approximately 36 acres that remain to be developed and approximately 167 acres that are undevelopable. See "THE DISTRICT."

Homebuilding Program........ Princeton Homes, Ltd. is building homes in Marcello Lakes, with an average price of approximately $371,462. Legend Classic Homes is building homes in Camillo Lakes, which average price is $227,184. Camillo Properties, Ltd. is building homes in Treviso Gardens, which range in average value from approximately $175,000 to $200,000.

The Developers..................... The developer of Marcello Lakes, Sections 1 through 3 is Marcello Lakes Ltd. ("Marcello"), a Texas limited partnership. The Marcello Lakes development will encompass approximately 180 total acres in the District.

The developer of Camillo Lakes, Sections 1 through 5 is Camillo Lakes Ltd. ("Camillo"), a Texas limited partnership. The Camillo Lakes development will encompass approximately 140 acres in the District.

The developer of Treviso Gardens, Sections 1 through 5 is Treviso Gardens Ltd. ("Treviso"), a Texas limited partnership. The Treviso Gardens development will encompass approximately 130 acres in the District.

The developer of the commercial tracts and the owner of the drainage improvement within the District is Benchmark Acquisitions, LLC ("Benchmark"), a Texas limited liability company. Benchmark owns approximately 86 acres in the District.

The general partner of Marcello, Camillo and Treviso is Camcorp Management Inc. and the limited partner is Camcorp Interests, Ltd. The general partner of Legend Classic Homes, Ltd. (the builder in Camillo Lakes) is Legend Home Corp., which is owned by Camcorp Interests, Ltd. The general partner of Camillo Properties Ltd. (the builder in Treviso Gardens) is Camillo Properties GP, Inc. Camcorp Interests, Ltd. is also the sole member of Benchmark. All of the above-mentioned entities have the same ownership.

Marcello, Camillo, Treviso and Benchmark are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

SELECTED FINANCIAL INFORMATION

2020 Taxable Assessed Valuation	$186,973,555	(a)
Estimated Taxable Assessed Valuation as of June 1, 2020	$258,784,898	(b)
Gross Direct Debt Outstanding	$30,525,000	(c)
Estimated Overlapping Debt	5,259,782	
Total Gross Direct Debt and Estimated Overlapping Debt	$35,784,782	
Ratio of Gross Direct Debt to: 2020 Taxable Assessed Valuation	16.33%	
Ratio of Gross Direct and Estimated Overlapping Debt to: 2020 Taxable Assessed Valuation	19.14%	
Ratio of Gross Direct Debt to: Estimated Taxable Assessed Valuation as of June 1, 2020	11.80%	
Ratio of Gross Direct and Estimated Overlapping Debt to: Estimated Taxable Assessed Valuation as of June 1, 2020	13.83%	
Operating Funds Available as of July 16, 2020	$1,144,728	
WSD Debt Service Funds Available as of July 16, 2020	$943,234	(d)
Road Debt Service Funds Available as of July 16, 2020	$538,982	(d)
WSD Capital Project Funds Available as of July 16, 2020	$674,183	(e)
Road Capital Project Funds Available as of July 16, 2020	$239,712	(f)
Anticipated 2020 Debt Service Tax Rate	$1.00	
Anticipated 2020 Maintenance Tax Rate	0.50	
Total	$1.50	(g)
Average Annual Debt Service Requirement (2021-2045)	$1,734,629	(h)
Maximum Annual Debt Service Requirement (2022)	$2,096,568	(h)
Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at a 95% Collection Rate Based upon 2020 Taxable Assessed Valuation	$0.98	
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate Based upon 2020 Taxable Assessed Valuation	$1.19	
Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at a 95% Collection Rate Based upon Estimated Taxable Assessed Valuation as of June 1, 2020	$0.71	
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate Based upon Estimated Taxable Assessed Valuation as of June 1, 2020	$0.86	
Status of Development as of May 8, 2020:		
Completed Occupied Single-Family Homes	782	
Vacant Single-Family Homes	9	
Homes Under Construction or Listed in Builders' Name	291	
Vacant Developed Lots	524	
Lots under Construction	341	
Estimated Population	2,737	(i)

(a) Value includes $126,750,045 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $60,223,510 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2020, which totals $186,973,555. See "TAX PROCEDURES."

(b) As estimated by the Appraisal District as of June 1, 2020 for information purposes only. The preliminary 2020 assessed valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2020 to June 1, 2020. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."

(c) After giving effect to issuance of the Bonds. Includes the $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and are expected to be issued on September 22, 2020. Excludes the Districts September 1, 2020 principal payment in the amount of $290,000.

(d) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sanitary sewer and drainage facilities (the "WSD Bonds") and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"), including the Bonds. See "THE BONDS—Funds" and "DEBT SERVICE REQUIREMENTS." Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.

(e) $475,000 will be applied towards the $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and expected to close on September 22, 2020.

(f) $239,812 will be applied towards the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) On September 17, 2020, the District authorized publication of a 2020 total tax rate in the amount of $1.50 per $100 of taxable assessed valuation and expects to adopt such rate in October 2020.

(h) See "DEBT SERVICE REQUIREMENTS."

(i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

$4,350,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 536

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

UNLIMITED TAX ROAD BONDS, SERIES 2020A

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 536 (the "District") of its $4,350,000 Unlimited Tax Road Bonds, Series 2020A (the "Bonds").

This Official Statement includes descriptions, among others, of the Bonds and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and certain other information about the District, Marcello Lakes Ltd. ("Marcello"), Camillo Lakes Ltd. ("Camillo"), Treviso Gardens Ltd. ("Treviso"), and Benchmark Acquisitions, LLC ("Benchmark") (collectively referred to as the "Developers.") All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of the cost of duplication.

THE BONDS

General

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

Description

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

Authority for Issuance

At an election held within the District on May 9, 2015, voters of the District authorized a total of $76,250,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing road facilities. The Bonds constitute the third issuance of bonds from such authorization. After the issuance of the Bonds, a total of $63,900,000 in principal amount of unlimited tax bonds for road facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; Chapter 8436, Texas Special District Local Laws Code, as amended; the general laws of the State of Texas, including without limitation Chapters 49 and 54 of the Texas Water Code, as amended, and an election held within the District as described above.

Source and Security for Payment

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

Funds

The Bond Order confirms the prior creation of the District's Bond Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sanitary sewer, and storm drainage facilities ("WSD Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD Bonds and Road Bonds. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Bond Fund created in respect of Road Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Road Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Bond Fund created in respect of Road Bonds. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-account created in respect of Road Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes. Amounts on deposit in the sub-accounts of the Bond Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Bond Fund, including funds in the sub-account created in respect of WSD Bonds, will not be allocated to the payment of the Bonds.

Record Date

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

Redemption Provisions

Mandatory Redemption: The Term Bonds maturing on September 1 in each of the years 2032, 2034, 2036, 2038, 2040, 2042 and 2045 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$350,000 Term Bonds Due September 1, 2032

Mandatory Redemption Date	Principal Amount
2031	$ 175,000
2032 (maturity)	175,000

$350,000 Term Bonds Due September 1, 2034

Mandatory Redemption Date	Principal Amount
2033	$ 175,000
2034 (maturity)	175,000

$350,000 Term Bonds Due September 1, 2036

Mandatory Redemption Date	Principal Amount
2035	$ 175,000
2036 (maturity)	175,000

$350,000 Term Bonds Due September 1, 2038

Mandatory Redemption Date	Principal Amount
2037	$ 175,000
2038 (maturity)	175,000

$350,000 Term Bonds Due September 1, 2040

Mandatory Redemption Date	Principal Amount
2039	$ 175,000
2040 (maturity)	175,000

$350,000 Term Bonds Due September 1, 2042

Mandatory Redemption Date	Principal Amount
2041	$ 175,000
2042 (maturity)	175,000

$525,000 Term Bonds Due September 1, 2045

Mandatory Redemption Date	Principal Amount
2043	$ 175,000
2044	175,000
2045 (maturity)	175,000

Notice of the mandatory redemption of the Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY-SYSTEM."

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2027 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the outstanding principal amount of a Term Bond is to redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $76,250,000 unlimited tax bonds for the purpose of acquiring or and constructing road facilities and could authorize additional amounts. After the issuance of the Bonds, the District will have $63,900,000 principal amount of unlimited tax bonds authorized but unissued for said improvements. The District's voters have authorized the issuance of a total of $125,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has $106,345,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities. In addition, the District's voters have also authorized the issuance of $239,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which are unissued and could authorize additional amounts. In addition, the District's voters have authorized the issuance of $37,750,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing recreational facilities, all of which are unissued and could authorize additional amounts.

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

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

Financing Road Facilities

The District was created by Act of the 83rd Legislature of the State of Texas, June 14, 2013, Regular Session pursuant to Senate Bill 564, codified as Chapter 8436 of the Texas Special District Local Laws Code, as a special district under Article XVI, Section 59 of the Texas Constitution, which included the granting of road powers. At an election held within the District on May 9, 2015, voters of the District authorized a total of $76,250,000 principal amount of unlimited tax bonds for acquiring or constructing road facilities, of which $63,900,000 principal amount will remain authorized but unissued after the issuance of the Bonds for said improvements and facilities. See "—Issuance of Additional Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt." Issuance of additional unlimited tax bonds for road facilities may dilute the security for the Bonds.

Financing Recreational Facilities

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

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

At an election held within the District on May 9, 2015, voters of the District authorized a total of $37,750,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing recreational facilities, all of which remains unissued, and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds. See "THE BONDS—Issuance of Additional Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt."

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

THE DISTRICT

General

The District is a municipal utility district created by an act of the Texas Legislature (Senate Bill No. 564, Regular Session, dated June 14, 2013), codified at Chapter 8436, Texas Special District Local Laws Code, as amended (the "Act"), and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission. The District contains approximately 535 acres of land.

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

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

Description and Location

The District is located approximately 30 miles northwest of downtown Houston, north of Clay Road and west of US Highway 99. Access to the District is provided by US Highway 99 and west on Clay Road. Major thoroughfares to the community include Clay Road, Morton Ranch Road, Katy Hockley Cut Off Road, and Porter Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and the boundaries of the Katy Independent School District.

Land Use

The following tables has been provided by the Engineer and represents the current land use within the District.

Single-Family Residential	Approximate Acres	Lots
Marcello Lakes, Section 1	36	148
Marcello Lakes, Section 2	31	134
Marcello Lakes, Section 3 (a)	18	86
Treviso Gardens, Section 1 (b)	23	147
Treviso Gardens, Section 2 (b)	11	86
Treviso Gardens, Section 3 (b)	22	153
Treviso Gardens, Section 4 (b)	24	166
Treviso Gardens, Section 5 (b)	14	93
Camillo Lakes, Section 1	32	179
Camillo Lakes, Section 2	24	144
Camillo Lakes, Section 3 (a)	42	255
Camillo Lakes, Section 4	52	331
Camillo Lakes, Section 5	3	25
Subtotal	332	1,947
Future Development	36	---
Undevelopable (c)	167	---
	535	1,947

(a) Currently under construction with expected completion in August 2020.
(b) Treviso Gardens is being developed as a rental home community.
(c) Consists of street easements, drainage detention, parks and recreation space and utility sites.

Residential Development

Approximately 272 acres in the District have been developed as Marcello Lakes, Sections 1 and 2, Treviso Gardens, Sections 1 through 5 and Camillo Lakes Sections 1, 2, 4 and 5, which encompass 1,606 single family lots. In addition, water, sewer and drainage facilities to serve Marcello Lakes, Section 3 (86 lots on approximately 18 acres) and Camillo Lakes, Section 3 (255 lots on approximately 42 acres) are under construction.

As of May 8, 2020, 782 homes were complete and occupied, 9 homes were complete and unoccupied, 291 homes were under construction or listed under a builders’ name, 341 lots were under construction and 524 vacant developed lots available for home construction. Of the 782 occupied homes, 356 were leased in Treviso Gardens.

The homes being constructed in Treviso Gardens are being constructed by Camillo Properties, Ltd. as rental properties. Camcorp Management Inc. is the general partner of Treviso and Camcorp Interests, Ltd. is the limited partner. Camillo Properties GP Inc. is the general partner of Camillo Properties, Ltd.

Homebuilding Program

Princeton Homes is building homes in Marcello Lakes, with an average price of approximately $371,462. Legend Homes is building homes in Camillo Lakes, with an average price of approximately $227,184. Camillo Properties is building homes in Treviso Gardens, which are valued from approximately $175,000 to $200,000.

Undeveloped Acreage

There are approximately 36 acres that remain to be developed with water, sanitary sewer and drainage facilities and approximately 167 acres that are undevelopable.

THE DEVELOPERS

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 generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be reimbursed (except for paving costs) from the sale of District bonds to the extent allowed by the Commission, 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.

Camcorp Management Inc, Camcorp Interests Ltd. and Consolidated Subsidiaries

Camcorp Management Inc., a Texas corporation, is the general partner and Camcorp Interests, Ltd. a Texas limited partnership, is the limited partner of Marcello, Camillo, and Treviso. Camcorp Interests, Ltd. is the sole member of Benchmark. Marcello, Camillo, Treviso and Benchmark are collectively referred to as the "Developers." Legend Classic Homes Ltd. is building homes in the District. The general partner of Legend Classic Homes Ltd. is Legend Home Corp., which is 100% owned by Camcorp Interests, Ltd. Camillo Properties, Ltd. is also building homes in the District and the general partner is Camillo Properties GP Inc., which is a related company to Camcorp Management Inc. All current development activities within the District are funded by Camcorp Interests, Ltd. Camcorp Interests, Ltd. through other limited partnerships, has developed subdivisions including, but not limited to, Windsor Park Estates, Katy Creek Ranch, Austinville and Bear Creek Meadows.

Marcello

The developer of Marcello Lakes, Section 1 (148 lots on approximately 36 acres) and Section 2 (134 lots on approximately 31 acres) is Marcello. Water, sanitary sewer and drainage facilities are currently under construction to serve Marcello Lakes, Section 3 (86 lots on approximately 18 acres). Marcello's only assets are the land it owns in the District. The Marcello Lakes development will encompass approximately 180 total acres in the District.

Camillo

The developer of Camillo Lakes, Section 1 (179 lots on approximately 32 acres), Section 2 (144 lots on approximately 24 acres), Section 4 (331 lots on approximately 52 acres), and Section 5 (25 lots on approximately 3 acres) is Camillo. Water, sewer and drainage facilities are currently under construction to serve Camillo Lakes, Section 3 (255 lots on approximately 42 acres). The Camillo Lakes development will encompass approximately 140 acres in the District.

Treviso

The developer of Treviso Gardens, Section 1 (147 lots on approximately 23 acres), Section 2 (86 lots on approximately 11 acres), Section 3 (153 lots on approximately 22 acres), Section 4 (166 lots on approximately 24 acres) and Section 5 (93 lots on approximately 14 acres) is Treviso. The homes being constructed in Treviso Gardens are being constructed by Camillo Properties, Ltd., as rental properties. Camcorp Management Inc. is the general partner of Treviso and Camcorp Interests, Ltd. is the limited partner. Camillo Properties GP Inc. is the general partner of Camillo Properties, Ltd . The Treviso Gardens development will encompass approximately 130 acres in the District.

Benchmark

The developer of the commercial tracts and the owner of the drainage improvements within the District is Benchmark. Benchmark owns approximately 86 acres in the District.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. None of the members of the Board reside in the District; however, all of the members own land within the District, subject to a note and deed of trust in favor of one of the Developers. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Joseph Forrester	President	May 2022
Joseph Radzwill	Vice President	May 2022
Alan Cantone	Secretary	May 2022
Rebecca Janik	Asst. Secretary	May 2024
Kimberly Carroll	Asst. Secretary	May 2024

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

Tax Assessor/Collector

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

System Operator

The District contracts with Si Environmental, LLC for maintenance and operation of the District's system (the "Operator").

Bookkeeper

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

Engineer

The District's consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the "Engineer").

Auditor

The financial statements of the District as of September 30, 2019 and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Bond Counsel and General Counsel

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

Financial Advisor

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

Disclosure Counsel

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

THE ROAD SYSTEM

A portion of the proceeds of Outstanding Bonds were used to finance the road system (the "Roads") which serves the residents of the District by providing roads and thoroughfares within the District and the surrounding area. Proceeds from the Bonds will be used to reimburse the Developer for expenditures associated with certain road improvements serving the District. In addition, bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. Upon completion, the District intends that the Roads are or will be accepted by Harris County for operation and maintenance in accordance with the procedures of Harris County. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

THE SYSTEM

Regulation

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

Water Distribution and Sanitary Sewer Collection and Drainage System

The District's System includes water, sanitary sewer and drainage facilities to serve the land described under the section "THE DISTRICT—Residential Development."

Water Supply

The District owns and operates Water Plant No.1 (the "Water Plant"). The Water Plant includes a 1,200 gallon per minute ("gpm") water well, a 15,000 gallon pressure tank, a 150,000 gallon ground storage tank and booster pump capacity of 2,500 gpm. An expansion of the Water Plant is currently under construction with an expected completion date of February 2021 and will include an additional 600 gpm of water well capacity, a 15,000 gallon pressure tank, a 330,000 gallon ground storage tank and 1,500 gpm in additional booster pump capacity. According to the Engineer, the District's current Water Plant facilities are sufficient to serve 850 single family connections, and upon completion of the expansion, will be sufficient to serve 1,500 single family connections.

The District has two emergency water supply interconnects with Harris County Municipal Utility District No. 449 and Harris County Municipal Utility District No. 495.

Subsidence District Requirements

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

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

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

The District cannot predict the amount or level of fees and charges, that 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. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment Facilities

Currently, the District's wastewater treatment is provided by the District's 280,000 gallons per day ("gpd") interim wastewater treatment plant leased and operated by the District. Monthly lease payments of $11,508 per month began on April 1, 2017 and will continue for a term of 60 months. According to the Engineer, the wastewater treatment plant is sufficient capacity to serve 933 equivalent single-family connections, based upon 300 gpd per single family connection. An expansion of 440,000 gpd to the wastewater treatment plant bid has been awarded with construction expected to start in August 2020 and completion by July 2021.

Stormwater Drainage Facilities

The southern portion of the District (approximately 164 acres) drains into the adjacent Harris County Flood Control Unit No. T101-13-00 drainage channel. The northern portion of the District (approximately 371 acres) drains into the adjacent Harris County Flood Control Unit No. U101-08-00 drainage channel. Areas that have been developed within the District include storm water collection facilities. These facilities include a storm sewer and inlet collection system that has been designed to discharge storm water runoff from the development to the existing detention facilities. Developed runoff from two-year storm event is conveyed using a storm sewer system consisting of inlets, storm manholes, and storm sewer pipes as requested by Harris County and the City of Houston. The 100-year storm event is conveyed through the storm sewer system with excess runoff conveyed over the paved streets. The pavement design, which includes cascading high and low points to an extreme event outfall, allows all overland flow to be conveyed to the detention facilities.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm 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, no areas within the District are located within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Tropical Weather Events; Hurricane Harvey."

Atlas 14

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 on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. 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.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used to reimburse the Developer for expenditures associated with certain road improvements serving the District. In addition, Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

The construction costs below were compiled by the District's Engineer. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus road bond construction funds may be used.

CONSTRUCTION RELATED COSTS		
Construction Costs……………………………………………………	$	3,015,986
Land Acquistion………………………………………………………		694,067
Engineering & Contingencies………………………………………		267,050
Accrued Interest on Construction Costs…………………………		190,941
Less: Surplus Funds…………………………………………………		(239,812)
Total Construction Related Costs…………………………………………	**$**	**3,928,232**
NON-CONSTRUCTION COSTS		
Underwriter's Discount (a)…………………………………………	$	66,490
Total Nonconstruction Costs………………………………………………	**$**	**66,490**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees……………………………	$	256,919
Engineering Report…………………………………………………...		30,000
State Regulatory Fees………………………………………………		4,350
Contingency (a)……………………………………………………….		64,011
Total Issuance Costs and Fees……………………………………………	**$**	**355,279**
TOTAL BOND ISSUE…………………………………………………………	**$**	**4,350,000**

(a) Contingency represents surplus funds resulting from the sale of the Bonds at a lower underwriter's discount than estimated and can be used for purposes allowed and approved by the Commission.

Future Debt

With the consent of the District, the Developers have financed the design and construction of water, sanitary sewer and drainage facilities to serve Marcello Lakes, Sections 1 through 3, Treviso Gardens, Sections 1 through 5 and Camillo Lakes, Sections 1 through 5, as well as other District facilities and operating expenditures for which the Developers have not been reimbursed. The cost of such facilities and operating expenditures is approximately $22,920,000. The Developers have also financed road facilities for which the Developers have not been reimbursed. The cost of such facilities is approximately $43,137,200. In addition, the Developers have financed park and recreational facilities which have not been reimbursed. The cost of such facilities is approximately $10,580,000. The District also contains approximately 36 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to reimburse the Developers and to finance the construction of District facilities to serve the undeveloped acreage within the District as well as additionally required wastewater treatment plant capacity and/or water plant capacity, if any.

The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds should be adequate, under present land use projections, to finance such improvements.

WATER AND SANITARY SEWER OPERATIONS

General

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

Waterworks and Sanitary Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2017 through 2019 and an unaudited summary for the period ended May 31, 2020, prepared by the Bookkeeper. Reference is made to such records and statements for further and more complete information.

	10/1/2019 to 5/31/2020 (a)	9/30/2019	9/30/2018	9/30/2017 (b)
Revenues				
Property Taxes	$ 511,727	$ 519,257	$ 353,399	$ 1,149
Water Service	391,166	410,186	214,309	8,519
Sewer Service	256,608	260,587	145,472	6,960
Regional Water Fees	153,932	154,840	71,626	468
Tap Connection & Inspection Fees	369,835	483,832	418,900	186,700
Penalty and Interest	32,629	34,539	9,309	8
Investment Income	7,234	10,268	363	59
Other Income	19,475	10,897	2,100	800
Total Revenues	$ 1,742,606	$ 1,884,406	$ 1,215,478	$ 204,663
Expenditures				
Regional Water Fees	$ 175,637	$ 223,618	$ 45,650	$ 3,499
Professional Fees	135,975	159,586	126,106	97,286
Constracted Services	193,234	253,684	153,524	34,462
Utilities	37,288	48,051	27,364	18,562
Repairs and Maintenance	198,578	361,669	235,855	38,316
Other Expenditures	123,847	54,149	48,889	31,959
Tap Connections	220,028	175,086	177,839	69,820
Debt Service, Bond Issuance Costs	-	30,000	19,794	-
Capital Outlay	-	44,253	-	-
Lease Payments	117,384	153,921	138,096	69,048
Total Expenditures	$ 1,201,969	$ 1,504,017	$ 973,117	$ 362,952
Revenues Over (Under) Expenditures	$ 540,636	$ 380,389	$ 242,361	$ (158,289)
Other Sources (Uses)				
Interfund Transfers In (Out)	$ (45,000)	$ (30,573)	$ -	$ -
Developer Operating Advances	-	-	-	213,016
Total Other Financing Sources	$ (45,000)	$ (30,573)	$ -	$ 213,016
Fund Balance (Beginning of Year)	$ 630,369	$ 280,553	$ 38,192	$ (16,535)
Fund Balance (End of Year)	$ 1,126,005	$ 630,369	$ 280,553	$ 38,192

(a) Unaudited. Prepared by the District's Bookkeeper.
(b) Initial year of audited financial statements.

FINANCIAL STATEMENT

2020 Taxable Assessed Valuation	$186,973,555 (a)
Estimated Taxable Assessed Valuation as of June 1, 2020	$258,784,898 (b)
Gross Direct Debt Outstanding	$30,525,000 (c)
Estimated Overlapping Debt	5,259,782
Total Gross Direct Debt and Estimated Overlapping Debt	35,784,782
Ratio of Gross Direct Debt to:	
2020 Taxable Assessed Valuation	16.33%
Estimated Taxable Assessed Valuation as of June 1, 2020	11.80%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Taxable Assessed Valuation	19.14%
Estimated Taxable Assessed Valuation as of June 1, 2020	13.83%

Area of District – 535 Acres
Estimated 2020 Population – 2,737 (d)

(a) Value includes $126,750,045 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $60,223,510 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2020, which totals $186,973,555. See "TAX PROCEDURES."

(b) As estimated by the Appraisal District as of June 1, 2020 for information purposes only. The preliminary 2020 assessed valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2020 to June 1, 2020. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."

(c) After giving effect to issuance of the Bonds. Includes the $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and are expected to be issued on September 22, 2020. Excludes the Districts September 1, 2020 principal payment in the amount of $290,000.

(d) Based upon 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of July 16, 2020)

Operating Fund	Cash and Temporary Investments	$ 1,144,728	
WSD Debt Service Fund	Cash and Temporary Investments	$ 943,234	(a)
Road Debt Service Fund	Cash and Temporary Investments	$ 538,982	(a) (b)
WSD Capital Projects Fund	Cash and Temporary Investments	$ 674,183	(c)
Road Capital Projects Fund	Cash and Temporary Investments	$ 239,712	(d)

(a) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sanitary sewer and drainage facilities (the "WSD Bonds") and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). The Road Debt Service Fund is pledged to the Bonds. See "THE BONDS—Funds" and "DEBT SERVICE REQUIREMENTS." Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.

(b) In addition to the balances shown, accrued interest on the Bonds from their dated date to the date of delivery will be deposited into the District's Road Bond Fund. Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Bond Fund.

(c) $475,000 will be applied towards the $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and are expected to close on September 22, 2020.

(d) $239,812 will be applied towards the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Outstanding Bonds

Series	Original Principal Amount	Outstanding Bonds (as of 9/2/20)
Unlimited Tax Bonds, Series 2018	$ 9,000,000	$ 8,610,000
Unlimited Tax Road Bonds, Series 2018A	4,000,000	3,910,000
Unlimited Tax Bonds, Series 2019	4,155,000	4,155,000
Unlimited Tax Road Bonds, Series 2019A	4,000,000	4,000,000
Unlimited Tax Bonds, Series 2020 (a)	5,500,000	5,500,000
Total	$ 26,655,000	$ 26,175,000

(a) Includes the $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and are expected to be issued on September 22, 2020.

District Investment Policy

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

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County…………………………………	$ 1,885,182,125	5/31/2020	0.02%	$ 377,036
Harris County Flood Control District……………	83,075,000	5/31/2020	0.02%	16,615
Harris County Hospital District…………………	86,050,000	5/31/2020	0.02%	17,210
Harris County Department of Education………	6,320,000	5/31/2020	0.02%	1,264
Port of Houston Authority………………………	572,569,397	5/31/2020	0.02%	114,514
Katy ISD………………………………………	1,893,256,959	5/31/2020	0.25%	4,733,142
Total Estimated Overlapping Debt………………				$ 5,259,782
The District……………………………………	30,525,000 (a)	Current	100.00%	30,525,000
Total Direct and Estimated Overlapping Debt…				$ 35,784,782

Ratio of Estimated Direct and Overlapping Debt to 2020 Taxable Assessed Valuation………………………………	19.14%
Ratio of Estimated Direct and Overlapping Debt to June 1, 2020 Estimated Assessed Valuation……………………	13.83%

(a) Includes the Bonds and the $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and are expected to be issued on September 22, 2020. Excludes the Districts September 1, 2020 principal payment in the amount of $290,000.

Overlapping Taxes for 2019

	2019 Tax Rate per $100 of Taxable Assessed Valuation	
Harris County(a)……………………………	$ 0.61670	
Katy ISD…………………………………….	1.44310	
Harris Co. ESD No. 48………………………	0.10000	
Total Overlapping Tax Rate………………	$ 2.15980	
The District…………………………………….	1.50000	(b)
Total Tax Rate……………………………….	$ 3.65980	

(a) Includes Harris County, Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority.
(b) On September 17, 2020, the District authorized publication of a 2020 total tax rate in the amount of $1.50 per $100 of taxable assessed valuation and expects to adopt such rate in October 2020.

TAX DATA

Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2020 Amount	Percent
2015	$ 114,716	$ 1.50	$ 1,721	$ 1,721	100.00%
2016	3,520,427	1.50	52,806	52,806	100.00%
2017	20,062,705	1.50	300,941	300,941	100.00%
2018	56,177,201	1.50	842,658	842,658	100.00%
2019	104,286,017	1.50	1,564,290	1,534,531	98.10%

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

Tax Rate Distribution

	Anticipated 2020 (a)	2019	2018	2017	2016
Debt Service	$ 1.00	$ 1.00	$ 0.78	$ -	$ -
Maintenance and Operations	0.50	0.50	0.72	1.50	1.50
Total	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50

(a) On September 17, 2020, the District authorized publication of a 2020 total tax rate in the amount of $1.50 per $100 of taxable assessed valuation and expects to adopt such rate in October 2020.

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $1.50 per $100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a debt service tax for 2019 in the amount of $1.00 per $100 assessed valuation. See "THE BONDS—Authority for Issuance."

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On May 9, 2015, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $1.50 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2019 in the amount of $0.50 per $100 assessed valuation.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion ($126,750,045) of the 2020 tax roll, which reflects ownership at January 1, 2020. Principal taxpayer lists related to the uncertified portion of the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 1, 2020 are not available.

Taxpayer	Type of Property	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
Marcello Lakes Ltd. (a)	Land & Improvements	$ 8,501,866	6.71%
Legend Classic Homes Ltd. (a)	Land & Improvements	7,316,968	5.77%
Camillo Houses CV 4 LLC (a)	Land & Improvements	7,286,569	5.75%
Camillo Properties Ltd. (a)	Land & Improvements	4,074,256	3.21%
Camillo Houses CV 3 LLC (a)	Land & Improvements	2,484,589	1.96%
Treviso Gardens Ltd. (a)	Land & Improvements	1,246,874	0.98%
JMJAV LLC	Land & Improvements	1,214,731	0.96%
Centerpoint Energy Houston Electric	Utilities	824,820	0.65%
Individual	Land & Improvements	517,558	0.41%
Individual	Land & Improvements	505,650	0.40%
Total		$ 33,973,881	26.80%

(a) Related entities. See "THE DEVELOPER."

Summary of Assessed Valuation

The following breakdown of the 2016 through 2020 Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2016 through 2020 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. Breakdowns of the uncertified portion of the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 1, 2020 are not available.

	2020	2019	2018	2017	2016
Land	$ 40,743,354	$ 38,331,614	$ 35,848,338	$ 20,319,604	$ 11,378,166
Improvements	87,322,290	67,032,832	21,390,655	-	-
Personal Property	1,475,780	778,294	257,138	-	-
Exemptions	(2,791,379)	(1,879,278)	(1,319,099)	(256,899)	(7,857,739)
Uncertified Value	60,223,510	-	-	-	-
Total	$186,973,555	$104,263,462	$ 56,177,032	$ 20,062,705	$ 3,520,427

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 1, 2020 and no use of bond funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2021-2045)	$1,734,629
$0.98 Tax Rate on 2020 Taxable Assessed Valuation at 95% collections	$1,740,724
$0.71 Tax Rate on Estimated Taxable Assessed Valuation as of June 1, 2020 at 95% collections	$1,745,504
Maximum Annual Debt Service Requirement (2022)	$2,096,568
$1.19 Tax Rate on 2020 Taxable Assessed Valuation at 95% collections	$2,113,736
$0.86 Tax Rate on Estimated Taxable Assessed Valuation as of June 1, 2020 at 95% collections	$2,114,273

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

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

Valuation of Property for Taxation

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

Low Tax Rate Districts

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

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Bonds Debt Service Requirements(a)	Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2021	$ 1,544,755	$ -	$ 101,349	$ 101,349	$ 1,646,104
2022	1,661,005	325,000	110,563	435,563	2,096,568
2023	1,654,180	175,000	97,563	272,563	1,926,743
2024	1,641,568	175,000	90,563	265,563	1,907,130
2025	1,634,905	175,000	83,563	258,563	1,893,468
2026	1,622,161	175,000	76,563	251,563	1,873,724
2027	1,618,329	175,000	69,563	244,563	1,862,891
2028	1,613,354	175,000	66,063	241,063	1,854,416
2029	1,607,174	175,000	62,563	237,563	1,844,736
2030	1,599,793	175,000	59,063	234,063	1,833,855
2031	1,600,886	175,000	55,563	230,563	1,831,449
2032	1,590,430	175,000	52,063	227,063	1,817,493
2033	1,588,574	175,000	48,563	223,563	1,812,136
2034	1,579,698	175,000	45,063	220,063	1,799,760
2035	1,569,218	175,000	41,563	216,563	1,785,780
2036	1,562,733	175,000	38,063	213,063	1,775,795
2037	1,564,843	175,000	34,563	209,563	1,774,405
2038	1,555,195	175,000	30,844	205,844	1,761,039
2039	1,548,725	175,000	27,125	202,125	1,750,850
2040	1,544,706	175,000	23,406	198,406	1,743,113
2041	1,533,531	175,000	19,688	194,688	1,728,219
2042	1,530,450	175,000	15,750	190,750	1,721,200
2043	1,519,450	175,000	11,813	186,813	1,706,263
2044	1,026,725	175,000	7,875	182,875	1,209,600
2045	230,063	175,000	3,938	178,938	409,000
Total	$ 37,742,448	$ 4,350,000	$ 1,273,286	$ 5,623,286	$ 43,365,734

(a) Includes $5,500,000 Unlimited Tax Bonds, Series 2020 which were sold on August 20, 2020 and are expected to be issued on September 22, 2020.

Maximum Annual Debt Service Requirement (2022) $2,096,568
Average Annual Debt Service Requirements (2021-2045) $1,734,629

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

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

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

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

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

Recent Tropical Weather Events; Hurricane Harvey

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

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

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

Specific Flood Type Risks

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

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

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, undeveloped land and developed lots which are currently being marketed by the Developers to the builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences and, in the case of Treviso, rental homes. 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. See "THE DISTRICT."

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A 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 of the District's property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is approximately 30 miles from the central downtown business district of the City of Houston, could be affected by competition from other residential developments including other residential developments located in the northwestern portion of the 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 closer to downtown Houston. 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 of prospective builders 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.

Landowner Obligation to the District

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

Undeveloped Acreage and Vacant Lots

There are approximately 36 developable acres of land within the District that have not been provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements. In addition, there are 524 vacant developed lots and 341 lots currently under utility construction. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See “THE DISTRICT—Residential Development.”

Rental Homes

The homes being constructed in all sections of Treviso Gardens are being constructed by Camillo Properties, Ltd., as rental properties. According to Treviso, it is anticipated that there will be approximately 656 total homes in all Treviso Gardens sections once development is complete. It is anticipated that Camillo Properties, Ltd., Camillo Houses CV 3 LLC or Camillo Houses CV 4 LLC will continue to own all of the homes constructed in Treviso Gardens and will continue to be three of the principal taxpayers. On the 2020 certified tax roll, Camillo Properties, Ltd. represented $4,074,256 of the District’s 2020 certified taxable assessed value, which represents 3.21% of the total certified 2020 taxable assessed value, Camillo Houses CV 4 LLC represented $7,286,569 of the District’s 2020 certified taxable assessed value, which represents 5.75% of the total certified 2020 certified taxable assessed value and Camillo Houses CV 3 LLC represented $2,484,589 of the District’s 2020 certified taxable assessed value, which represents 1.96% of the total certified 2020 certified taxable assessed value. See “TAX DATA—Principal Taxpayers.”

Camillo Properties, Ltd., as the owner of the homes in Treviso Gardens, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

Dependence on Major Taxpayers and the Developer

The principal taxpayers represent $33,973,881 or approximately 26.80% of the 2020 certified portion ($126,750,045) of the 2020 Taxable Assessed Valuation of $186,973,555, which represents ownership as of January 1, 2020. The Developers represent $30,911,122 or approximately 24.39% of such value. If the Developers or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District’s Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Debt Service Fund. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX PROCEDURES—Levy and Collection of Taxes.”

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the District to homebuilders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See “THE DEVELOPERS.”

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2020 Taxable Assessed Valuation of the District is $186,973,555. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be $2,096,568 (2022) and the average annual debt service requirement will be $1,734,629 (2021-2045). Assuming no increase or decrease from the 2020 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $1.19 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,096,568 and a tax rate of $0.98 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,734,629. See "DEBT SERVICE REQUIREMENTS". The Estimated Taxable Assessed Valuation as of June 1, 2020 is $258,784,898. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of June 1, 2020 and no use of other funds other than tax collections, a tax rate of $0.86 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,096,568 and a tax rate of $0.71 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,734,629. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 1, 2020, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

After the issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining $63,900,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of financing and constructing road facilities, the $106,345,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities for the District, the $239,000,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District, and the $37,750,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring and/or constructing recreational facilities, and any additional bonds which may be voted hereafter. After the issuance of the Bonds, it is estimated that the Developers will have expended funds for water, sanitary sewer and drainage, park and recreational and road facilities in the amount of approximately $43,137,200 which have not been reimbursed. See "THE BONDS—Issuance of Additional Debt", "Financing Recreational Facilities" and "Financing Road Facilities." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time.

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

Environmental and Air Quality Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property; 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 TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 ("the 1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

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

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

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

The HGB area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard. 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) wastewater 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.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

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

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

Tax Collection Limitations

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

Registered Owners Remedies

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

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

Bankruptcy Limitation to Registered Owners’ Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Future and Proposed Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

The obligations of the insurer are contractual obligations and in an event of default by the insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

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

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

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's has assigned an underlying credit rating of "Baa3" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX C to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.7 million, $143.6 million and $345.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers: The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

NO-LITIGATION CERTIFICATE

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 98.4715% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.365528% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

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

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

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT"—Edminster, Hinshaw, Russ & Associates, Inc.; "THE DEVELOPERS"- Marcello, Camillo, Treviso, and Benchmark; "TAX PROCEDURES"— Assessments of the Southwest, Inc. and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM" and "THE ROAD SYSTEM" — Edminster, Hinshaw, Russ & Associates, Inc.; "THE BONDS" and "LEGAL MATTERS"—Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"—Harris County Appraisal District, Assessments of the Southwest, Inc. and the Municipal Advisory Council of Texas.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

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

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

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

Auditor: The financial statements of the District as of September 30, 2019 and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

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

UPDATING OF OFFICIAL STATEMENT

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

CERTIFICATION OF OFFICIAL STATEMENT

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "WATER AND SANITARY SEWER OPERATIONS," FINANCIAL STATEMENT," "TAX DATA," "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's audited financial statements) and in Appendix A (District Audited Financial Statements for the fiscal year ended September 30, 2019 and Certain Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2020.

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

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

Specified Event Notices

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

The District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 536, as of the date shown on the cover page.

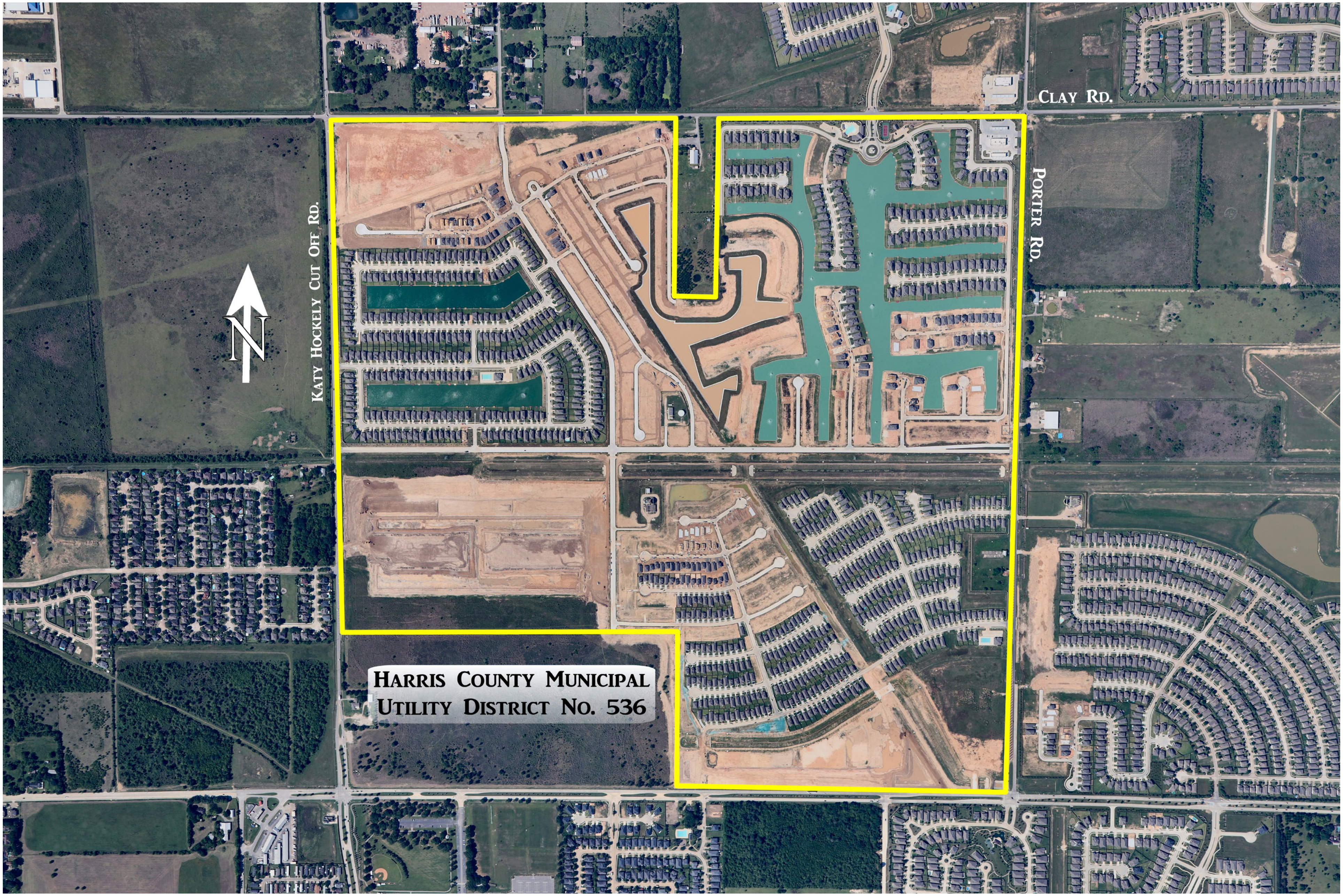
/s/Joseph Forrester
President, Board of Directors
Harris County Municipal Utility District No. 536

ATTEST:

/s/Alan Cantone
Secretary, Board of Directors
Harris County Municipal Utility District No. 536

AERIAL PHOTO

(Approximate boundaries as of June, 2020)


Clay Rd.
Porter Rd.
Katy Hockely Cut Off Rd.
N
Harris County Municipal
Utility District No. 536

PHOTOGRAPHS

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


LEGEND
HOMES
SOLD


LEGEND
HOMES
SOLD


LEGEND
HOMES
SOLD

APPENDIX A

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

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Harris County Municipal Utility District No. 536 and certain supplemental information for the fiscal year ended September 30, 2019.

Harris County Municipal Utility District No. 536

Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2019

BKD

CPAs & Advisors

Harris County Municipal Utility District No. 536
September 30, 2019

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 536
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 536 (the District), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 entity'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 September 30, 2019, and the respective changes in financial position thereof 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 budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
February 11, 2020

Harris County Municipal Utility District No. 536

Management's Discussion and Analysis

September 30, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2019	2018
Current and other assets	$ 2,441,172	$ 488,437
Capital assets	22,812,484	14,945,515
Total assets	$ 25,253,656	$ 15,433,952
Long-term liabilities	$ 30,287,297	$ 16,317,608
Other liabilities	323,945	129,961
Total liabilities	30,611,242	16,447,569
Net position:		
Net investment in capital assets	(6,264,962)	(1,372,093)
Restricted	268,578	-
Unrestricted	638,798	358,476
Total net position	$ (5,357,586)	$ (1,013,617)

The total net position of the District decreased by $4,343,969. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance and depreciation expense on the District's capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2019	2018
Revenues:		
Property taxes	$ 904,178	$ 412,432
Charges for services	825,613	431,407
Other revenues	560,511	449,562
Total revenues	2,290,302	1,293,401

Summary of Changes in Net Position (Continued)

	2019	2018
Expenses:		
Services	$ 1,564,033	$ 953,323
Depreciation	589,720	561,449
Conveyance of capital assets	2,922,517	241,767
Debt service	1,558,001	19,794
Total expenses	6,634,271	1,776,333
Change in net position	(4,343,969)	(482,932)
Net position, beginning of year	(1,013,617)	(530,685)
Net position, end of year	$ (5,357,586)	$ (1,013,617)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2019, were $2,151,736, an increase of $1,871,183 from the prior year.

The general fund's fund balance increased by $349,816, primarily due to property taxes, services and tap connection and inspection fee revenues exceeding service operation expenditures.

The debt service fund's fund balance increased by $722,994 due to proceeds received from the sale of the Series 2018 and 2018A bonds.

The capital projects fund's fund balance increased by $798,373 due to proceeds received from the sale of bonds exceeding capital outlay expenditures related to reimbursement of the District's developers and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, water service and tap connection and inspection fees revenues as well as regional water fee, contracted services and tap connection expenditures being greater than anticipated. In addition, debt issuance costs, capital outlay expenditures and interfund transfers that were incurred were not included in the current year budget. The fund balance as of September 30, 2019, was expected to be $391,840 and the actual end-of-year fund balance was $630,369.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2019	2018
Land and improvements	$ 8,544,981	$ 1,477,056
Construction in progress	160,268	-
Water facilities	4,927,814	4,614,732
Wastewater facilities	4,637,451	4,053,952
Roads	4,541,970	4,799,775
Total capital assets	$ 22,812,484	$ 14,945,515

During the current year, additions to capital assets were as follows:

Marcello Lakes Section 1, Camillo Lake Sections 1 and 2, Treviso Gardens, Sections 1 and 2, detention Reserve A, B, D and G site purchases	$ 2,087,392
Drainage channel extension site purchase	714,858
Detention and outfalls to serve Marcello Lakes, Phases 1 and 2, and Camillo Lake, Phase 1	4,265,675
Construction in progress related to the interim wastewater treatment plant, Phase II	160,268
Water supply and storage facility	60,597
12" waterline interconnect	13,855
Water and sewer facilities to serve Marcello Lakes, Section 1, and Camillo Lakes, Section 1	1,154,044
Total additions to capital assets	$ 8,456,689

A developer within the District has constructed water, sewer, drainage, and road and paving facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of September 30, 2019, a liability for developer-constructed capital assets of $13,769,255 was recorded in the government-wide financial statements and depreciation was recorded on those assets.

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

Long-term debt payable, beginning of year	$	16,317,608
Increases in long-term debt		25,486,057
Decreases in long-term debt		(11,516,368)
Long-term debt payable, end of year	$	30,287,297

At September 30, 2019, the District had $111,845,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems; $37,750,000 for financing and constructing recreational facilities; and $72,250,000 for financing and constructing roads within the District.

The District's bonds carry do not carry an underlying rating. The Series 2019 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent if the municipality complies with the procedures and requirements of Chapter 43, Texas Local Government Code, as amended. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days of the date of annexation.

Contingencies

The developer of the District is constructing water, sewer, drainage, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $7,613,200. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On October 17, 2019, the District issued $4,000,000 in unlimited tax road bonds, Series 2019A, at a net effective interest rate of approximately 2.9265 percent. The bonds were sold to reimburse developers for construction costs and interest on facilities constructed within the boundaries of the District.

Harris County Municipal Utility District No. 536

Statement of Net Position and Governmental Funds Balance Sheet

September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 122,432	$ 49,617	$ 260,950	$ 432,999	$ -	$ 432,999
Certificates of deposit	-	695,000	-	695,000	-	695,000
Short-term investments	533,081	21,715	595,063	1,149,859	-	1,149,859
Receivables:						
Property taxes	4,287	4,644	-	8,931	-	8,931
Service accounts	134,827	-	-	134,827	-	134,827
Accrued interest	-	1,718	-	1,718	-	1,718
Prepaid expenditures	17,838	-	-	17,838	-	17,838
Interfund receivable	86,345	-	-	86,345	(86,345)	-
Capital assets (net of accumulated depreciation):						
Land	-			-	8,544,981	8,544,981
Construction in progress					160,268	160,268
Roads	-	-	-	-	4,541,970	4,541,970
Infrastructure	-	-	-	-	9,565,265	9,565,265
Total assets	$ 898,810	$ 772,694	$ 856,013	$ 2,527,517	$ 22,726,139	$ 25,253,656

Harris County Municipal Utility District No. 536

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 139,857	$ -	$ 9,253	$ 149,110	$ -	$ 149,110
Accrued interest payable	-	7,094	-	7,094	43,440	50,534
Customer deposits	92,625	-	-	92,625	-	92,625
Interfund payable	-	37,958	48,387	86,345	(86,345)	-
Due to others	17,480	4		17,484	-	17,484
Unearned tap connection fee	10,050	-	-	10,050	-	10,050
Retainage payable	4,142	-	-	4,142	-	4,142
Long-term liabilities:						
Due within one year	-	-	-	-	290,000	290,000
Due after one year	-	-	-	-	29,997,297	29,997,297
Total liabilities	264,154	45,056	57,640	366,850	30,244,392	30,611,242
Deferred Inflows of Resources						
Deferred property tax revenues	4,287	4,644	0	8,931	(8,931)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	17,838			17,838	(17,838)	17,838
Restricted:						
Unlimited tax bonds	-	591,983	-	591,983	(591,983)	-
Water, sewer and drainage	-	-	696,234	696,234	(696,234)	-
Roads	-	131,011	102,139	233,150	(233,150)	-
Unassigned	612,531	-	-	612,531	(612,531)	-
Total fund balances	630,369	722,994	798,373	2,151,736	(2,151,736)	0
Total liabilities, deferred inflows of resources and fund balances	$ 898,810	$ 772,694	$ 856,013	$ 2,527,517		
Net position:						
Net investment in capital assets					(6,264,962)	(6,264,962)
Restricted for debt service					257,966	257,966
Restricted for capital projects					10,612	10,612
Unrestricted					638,798	638,798
Total net position					$ (5,357,586)	$ (5,357,586)

Harris County Municipal Utility District No. 536

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 519,257	$ 435,023	$ -	$ 954,280	$ (50,102)	$ 904,178
Water services	410,186	-	-	410,186	-	410,186
Sewer service	260,587	-	-	260,587	-	260,587
Regional water fee	154,840	-	-	154,840	-	154,840
Tap connection and inspection fees	483,832	-	-	483,832	-	483,832
Penalty and interest	34,539	10,485	-	45,024	(18,890)	26,134
Investment income	10,268	18,694	10,686	39,648	-	39,648
Other income	10,897	-	-	10,897	-	10,897
Total revenues	1,884,406	464,202	10,686	2,359,294	(68,992)	2,290,302
Expenditures/Expenses						
Service operations:						
Regional water fee	223,618			223,618	-	223,618
Professional fees	159,586	6,454	-	166,040	62,003	228,043
Contracted services	253,684	15,987	-	269,671	883	270,554
Utilities	48,051			48,051	-	48,051
Repairs and maintenance	361,669	-	-	361,669	44,253	405,922
Other expenditures	54,149	4,615	74	58,838	-	58,838
Tap connections	175,086	-	-	175,086	-	175,086
Lease payments	153,921			153,921	-	153,921
Capital outlay	44,253	-	13,687,588	13,731,841	(13,731,841)	-
Depreciation	-	-	-	-	589,720	589,720
Conveyance of capital assets	-	-	-	-	2,922,517	2,922,517
Debt service:						
Principal retirement	-	190,000	-	190,000	(190,000)	-
Interest and fees	-	417,412	-	417,412	93,216	510,628
Bond issuance costs	30,000	-	1,017,373	1,047,373	-	1,047,373
Total expenditures/expenses	1,504,017	634,468	14,705,035	16,843,520	(10,209,249)	6,634,271
Excess (Deficiency) of Revenues Over Expenditures	380,389	(170,266)	(14,694,349)	(14,484,226)	10,140,257	
Other Financing Sources (Uses)						
General obligation bonds issued	-	842,893	16,312,107	17,155,000	(17,155,000)	
Discount on debt issued	-	-	(456,575)	(456,575)	456,575	
Developer advances repaid	-	-	(343,016)	(343,016)	343,016	
Interfund transfers in (out)	(30,573)	50,367	(19,794)	-	-	
Total other financing sources (uses)	(30,573)	893,260	15,492,722	16,355,409	(16,355,409)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	349,816	722,994	798,373	1,871,183	(1,871,183)	
Change in Net Position					(4,343,969)	(4,343,969)
Fund Balances/Net Position						
Beginning of year	280,553	-	-	280,553	-	(1,013,617)
End of year	$ 630,369	$ 722,994	$ 798,373	$ 2,151,736	$ 0	$ (5,357,586)

Harris County Municipal Utility District No. 536

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 536 (the District) was created and is operating pursuant to a special act of the 83rd Texas Legislature, now codified at Chapter 8436 of the Texas Special District Local Laws Code, effective June 14, 2013, in accordance with the Texas Water Code, Chapters 49 and 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 and construct waterworks, wastewater, drainage, roads and recreational facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2019, include collections during the current period or within 60 days of year-end related to the 2018 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2019, the 2018 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Roads	20

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	22,812,484
Property taxes revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		8,931
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.		(43,440)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(30,287,297)
Adjustment to fund balances to arrive at net position.	$	(7,509,322)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because of the following.

Change in fund balances.	$	1,871,183
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense, conveyance of capital assets and noncapitalized costs in the current year.		10,112,465
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		456,575
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in amounts due to developer.		343,016
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(16,965,000)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(68,992)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(93,216)
Change in net position of governmental activities.	$	(4,343,969)

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At September 30, 2019, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At September 30, 2019, the District had the following investments and maturities:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Texas CLASS	$ 1,149,859	$ 1,149,859	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2019, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at September 30, 2019, as follows:

Carrying value:		
Deposits	$	1,127,999
Investments		1,149,859
Total	$	2,277,858
Cash	$	432,999
Certificates of deposit		695,000
Short-term investments		1,149,859
Total	$	2,277,858

Investment Income

Investment income of $39,648 for the year ended September 30, 2019, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of September 30, 2019:

- Pooled investments of $1,149,859 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2019, is presented below.

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	$ 1,477,056	$ 7,067,925	$ 8,544,981
Construction in progress	-	160,268	160,268
Total capital assets, non-depreciable	1,477,056	7,228,193	8,705,249
Capital assets, depreciable:			
Water production and distribution facilities	4,921,473	489,625	5,411,098
Wastewater collection and treatment facilities	4,192,905	738,871	4,931,776
Roads	5,141,391	-	5,141,391
Total capital assets, depreciable	14,255,769	1,228,496	15,484,265
Less accumulated depreciation:			
Water production and distribution facilities	(306,741)	(176,543)	(483,284)
Wastewater collection and treatment facilities	(138,953)	(155,372)	(294,325)
Roads	(341,616)	(257,805)	(599,421)
Total accumulated depreciation	(787,310)	(589,720)	(1,377,030)
Total governmental activities, net	$ 14,945,515	$ 7,866,969	$ 22,812,484

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2019, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ -	$ 17,155,000	$ 190,000	$ 16,965,000	$ 290,000
Less discounts on bonds	-	456,575	9,617	446,958	-
	-	16,698,425	180,383	16,518,042	290,000
Due to developer - construction	15,974,592	8,787,632	10,992,969	13,769,255	$ -
Due to developer - advances	343,016	-	343,016	-	-
Total governmental activities long-term liabilities	$ 16,317,608	$ 25,486,057	$ 11,516,368	$ 30,287,297	$ 290,000

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2019

General Obligation Bonds

	Series 2018	Road Series 2018A
Amounts outstanding, September 30, 2019	$8,810,000	$4,000,000
Interest rates	3.00% to 4.25%	2.75% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2020/2043	September 1, 2020/2043
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2024

	Series 2019
Amount outstanding, September 30, 2019	$4,155,000
Interest rates	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2044
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2025

*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2019.

Year	Principal	Interest	Total
2020	$ 290,000	$ 607,624	$ 897,624
2021	455,000	599,149	1,054,149
2022	470,000	583,998	1,053,998
2023	490,000	568,274	1,058,274
2024	505,000	551,761	1,056,761
2025-2029	2,805,000	2,513,592	5,318,592
2030-2034	3,365,000	2,020,711	5,385,711
2035-2039	4,070,000	1,355,382	5,425,382
2040-2044	4,515,000	488,381	5,003,381
Total	$ 16,965,000	$ 9,288,872	$ 26,253,872

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

Bonds voted:	
Water, sewer and drainage facilities	$ 125,000,000
Road facilities	76,250,000
Recreational facilities	37,750,000
Refunding bonds voted	239,000,000
Bonds sold:	
Water, sewer and drainage facilities	13,155,000
Road facilities	4,000,000

Due to Developer – Construction

A developer within the District has constructed water, sewer, drainage, and road and paving facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $13,769,255. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2019, the District levied an ad valorem debt service tax at the rate of $0.6006 per $100 of assessed valuation, which resulted in a tax levy of $338,544 on the taxable valuation of $56,367,688 for the 2018 tax year. The interest and principal requirements paid from tax revenues and available resources were $502,222.

   In addition, during the year ended September 30, 2019, the District levied an ad valorem road debt service tax at the rate of $0.1794 per $100 of assessed valuation, which resulted in a tax levy of $101,123 on the taxable valuation of $56,367,688 for 2018 tax year. This road tax is used to pay for principal and interest on the District's road bonds when due. The principal and interest requirements paid from road debt service tax revenues and available resources were $134,733.

B. In accordance with the Series 2018 and 2018A Bond Orders, a portion of the bond proceeds was 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.

Bond interest reserve, beginning of year	$ -
Additions:	
Interest appropriated from bond proceeds	
Series 2018	681,213
Series 2018A	161,680
Accrued interest received on bonds at date of sale	
Series 2018	21,761
Series 2018A	8,533
	873,187
Deductions--Appropriation from bond interest paid:	
Series 2018	(312,222)
Series 2018 A	(134,733)
	(446,955)
Bond interest reserve, end of year	$ 426,232

C. During the current year, the District transferred $19,794 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held May 9, 2015, voters authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property within the District subject to taxation. During the year ended September 30, 2019, the District levied an ad valorem maintenance tax at the rate of $0.7200 per $100 of assessed valuation, which resulted in a tax levy of $405,846 on the taxable valuation of $56,367,688 for the 2018 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of September 30, 2019, the Authority was billing the District $2.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

Note 8: Lease Agreement

On June 21, 2016, the District entered into a contract to lease a 140,000 gallons-per-day capacity wastewater treatment plant from AUC Group, L.P. Monthly lease payments of $11,508 per month began April 1, 2017, upon completion of the installation and setup, and continue for a term of 60 months. During the current year, the District recorded $11,508 in prepaid expenditures and incurred costs of $138,096 related to this lease. The District entered into a second 60-month lease agreement during the current year for additional capacity at the wastewater treatment plant. Monthly lease payments of $3,165 began May 1, 2019. The District recorded $6,330 in prepaid expenditures and incurred costs of $15,825 related to this lease. Future minimum annual lease payments are: 2020 - $176,076; 2021 - $176,076; 2022 - $107,028; 2023 - $37,980; and 2024 - $22,155.

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10: Contingencies

A developer of the District is constructing water, sewer, drainage, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $7,613,200. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11: Subsequent Event

On October 17, 2019, the District issued $4,000,000 in unlimited tax road bonds, Series 2019A, at a net effective interest rate of approximately 2.9265 percent. The bonds were sold to reimburse developers for construction costs and interest on facilities constructed within the boundaries of the District.

Required Supplementary Information

Harris County Municipal Utility District No. 536

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2019

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 286,000	$ 519,257	$ 233,257
Water service	295,900	410,186	114,286
Sewer service	222,000	260,587	38,587
Regional water	168,000	154,840	(13,160)
Tap connection and inspection fees	371,420	483,832	112,412
Penalty and interest	12,000	34,539	22,539
Investment income	120	10,268	10,148
Other income	2,400	10,897	8,497
Total revenues	1,357,840	1,884,406	526,566
Expenditures			
Service operations:			
Regional water fee	168,000	223,618	(55,618)
Professional fees	145,000	159,586	(14,586)
Contracted services	204,600	253,684	(49,084)
Utilities	36,000	48,051	(12,051)
Repairs and maintenance	374,717	361,669	13,048
Other expenditures	49,020	54,149	(5,129)
Tap connections	131,120	175,086	(43,966)
Lease payments	138,096	153,921	(15,825)
Capital outlay	-	44,253	(44,253)
Debt service, bond issuance costs	-	30,000	(30,000)
Total expenditures	1,246,553	1,504,017	(257,464)
Excess of Revenues Over Expenditures	111,287	380,389	269,102
Other Financing Uses			
Interfund transfers out	-	(30,573)	(30,573)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	111,287	349,816	238,529
Fund Balance, Beginning of Year	280,553	280,553	-
Fund Balance, End of Year	$ 391,840	$ 630,369	$ 238,529

Harris County Municipal Utility District No. 536
Notes to Required Supplementary Information
September 30, 2019

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2019.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Harris County Municipal Utility District No. 536
Other Schedules Included Within This Report
September 30, 2019

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-26

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund

[X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 536

Schedule of Services and Rates

Year Ended September 30, 2019

1. Services provided by the District:

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

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

___ Other ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 50.00	10,000	N	$ 1.50	10,001	to	15,000
				$ 2.00	15,001	to	30,000
				$ 2.50	30,001	to	No Limit
Wastewater:	$ 35.00	0	Y				
Regional Water Fee:	$ 2.95	0	N	$ 2.95	1	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 79.50 Wastewater $ 35.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	832	828	x1.0	828
1"	13	13	x2.5	33
1 1/2"	-	-	x5.0	-
2"	15	15	x8.0	120
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	860	856		981
Total wastewater	837	833	x1.0	833

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	84,445
Gallons billed to customers:	86,599
Water accountability ratio (gallons billed/gallons pumped):	102.55%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 536

Schedule of General Fund Expenditures

Year Ended September 30, 2019

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 11,500	
Legal	67,045	
Engineering	81,041	
Financial advisor	-	159,586
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		223,618
Contracted Services		
Bookkeeping	23,299	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	175,697	198,996
Utilities		48,051
Repairs and Maintenance		361,669
Administrative Expenditures		
Directors' fees	6,900	
Office supplies	9,840	
Insurance	19,582	
Other administrative expenditures	17,827	54,149
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	44,253	44,253
Tap Connection Expenditures		175,086
Solid Waste Disposal		54,688
Lease Payments		153,921
Parks and Recreation		-
Other Expenditures		30,000
Total expenditures		$ 1,504,017

Harris County Municipal Utility District No. 536

Schedule of Temporary Investments

September 30, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	2.17%	Demand	$ 533,081	$ 0
Debt Service Fund				
Certificates of Deposit				
No. 91300011897279	2.75%	08/21/20	200,000	588
No. 66000937	2.10%	02/19/20	175,000	393
No. 36000641	2.25%	02/18/20	120,000	288
No. 6000037868	2.10%	08/21/20	200,000	449
Texas CLASS	2.17%	Demand	10,992	-
Texas CLASS	2.17%	Demand	10,723	-
			716,715	1,718
Capital Projects Fund				
Texas CLASS	2.17%	Demand	492,923	-
Texas CLASS	2.17%	Demand	102,140	-
			595,063	0
Totals			$ 1,844,859	$ 1,718

Harris County Municipal Utility District No. 536

Analysis of Taxes Levied and Receivable

Year Ended September 30, 2019

	Maintenance Taxes	Road Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 59,033	$ -	$ -
Additions and corrections to prior years' taxes	58,665	-	-
Adjusted receivable, beginning of year	117,698	0	0
2018 Original Tax Levy	138,384	34,481	115,435
Additions and corrections	267,462	66,642	223,109
Adjusted tax levy	405,846	101,123	338,544
Total to be accounted for	523,544	101,123	338,544
Tax collections: Current year	(401,559)	(100,055)	(334,968)
Prior years	(117,698)	-	-
Receivable, end of year	$ 4,287	$ 1,068	$ 3,576
Receivable, by Years			
2018	$ 4,287	$ 1,068	$ 3,576

Harris County Municipal Utility District No. 536

Analysis of Taxes Levied and Receivable (Continued)

Year Ended September 30, 2019

	2018	2017	2016	2015
Property Valuations				
Land	$ 35,848,507	$ 20,316,556	$ 7,934,339	$ 7,902,969
Improvements	21,390,655	-	-	-
Personal property	257,139	-	-	-
Exemptions	(1,128,613)	(255,720)	(4,413,912)	(7,773,075)
Total property valuations	$ 56,367,688	$ 20,060,836	$ 3,520,427	$ 129,894
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.6006	$ -	$ -	$ -
Road tax rates	0.1794	-	-	-
Maintenance tax rates*	0.7200	1.5000	1.5000	1.5000
Total tax rates per $100 valuation	$ 1.5000	$ 1.5000	$ 1.5000	$ 1.5000
Tax Levy	$ 845,513	$ 300,913	$ 52,806	$ 1,948
Percent of Taxes Collected to Taxes Levied**	99%	100%	100%	100%

*Maximum tax rate approved by voters: $1.50 on May 9, 2015

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris County Municipal Utility District No. 536

Schedule of Long-term Debt Service Requirements by Years

September 30, 2019

	Series 2018		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 200,000	$ 334,906	$ 534,906
2021	210,000	328,907	538,907
2022	220,000	322,606	542,606
2023	230,000	316,006	546,006
2024	240,000	309,106	549,106
2025	255,000	301,907	556,907
2026	265,000	293,938	558,938
2027	280,000	285,324	565,324
2028	290,000	275,875	565,875
2029	305,000	265,725	570,725
2030	320,000	255,050	575,050
2031	340,000	243,450	583,450
2032	355,000	230,700	585,700
2033	375,000	216,944	591,944
2034	390,000	201,944	591,944
2035	410,000	186,344	596,344
2036	430,000	169,943	599,943
2037	455,000	152,744	607,744
2038	475,000	134,544	609,544
2039	500,000	115,544	615,544
2040	525,000	94,918	619,918
2041	550,000	73,263	623,263
2042	580,000	50,575	630,575
2043	610,000	25,925	635,925
Totals	$ 8,810,000	$ 5,186,188	$ 13,996,188

Harris County Municipal Utility District No. 536

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2019

	Road Series 2018A		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 90,000	$ 161,680	$ 251,680
2021	95,000	159,205	254,205
2022	100,000	156,355	256,355
2023	105,000	153,230	258,230
2024	110,000	149,818	259,818
2025	115,000	146,105	261,105
2026	120,000	142,080	262,080
2027	125,000	137,760	262,760
2028	135,000	133,135	268,135
2029	140,000	128,005	268,005
2030	145,000	122,405	267,405
2031	155,000	116,605	271,605
2032	160,000	110,405	270,405
2033	170,000	104,005	274,005
2034	180,000	97,035	277,035
2035	185,000	89,655	274,655
2036	195,000	82,070	277,070
2037	205,000	73,880	278,880
2038	215,000	65,270	280,270
2039	225,000	56,025	281,025
2040	240,000	46,350	286,350
2041	250,000	35,550	285,550
2042	265,000	24,300	289,300
2043	275,000	12,375	287,375
Totals	$ 4,000,000	$ 2,503,303	$ 6,503,303

Harris County Municipal Utility District No. 536

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2019

	Series 2019		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ -	$ 111,038	$ 111,038
2021	150,000	111,037	261,037
2022	150,000	105,037	255,037
2023	155,000	99,038	254,038
2024	155,000	92,837	247,837
2025	155,000	88,188	243,188
2026	155,000	83,537	238,537
2027	155,000	80,438	235,438
2028	155,000	77,337	232,337
2029	155,000	74,238	229,238
2030	155,000	71,137	226,137
2031	155,000	67,844	222,844
2032	155,000	64,550	219,550
2033	155,000	61,062	216,062
2034	155,000	57,575	212,575
2035	155,000	53,700	208,700
2036	155,000	49,825	204,825
2037	155,000	45,950	200,950
2038	155,000	42,075	197,075
2039	155,000	37,813	192,813
2040	155,000	33,550	188,550
2041	155,000	29,287	184,287
2042	155,000	25,025	180,025
2043	155,000	20,763	175,763
2044	600,000	16,500	616,500
Totals	$ 4,155,000	$ 1,599,381	$ 5,754,381

Harris County Municipal Utility District No. 536

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2019

	Annual Requirements For All Series		
Due During Fiscal Years Ending September 30	**Total Principal Due**	**Total Interest Due**	**Total Principal and Interest Due**
2020	$ 290,000	$ 607,624	$ 897,624
2021	455,000	599,149	1,054,149
2022	470,000	583,998	1,053,998
2023	490,000	568,274	1,058,274
2024	505,000	551,761	1,056,761
2025	525,000	536,200	1,061,200
2026	540,000	519,555	1,059,555
2027	560,000	503,522	1,063,522
2028	580,000	486,347	1,066,347
2029	600,000	467,968	1,067,968
2030	620,000	448,592	1,068,592
2031	650,000	427,899	1,077,899
2032	670,000	405,655	1,075,655
2033	700,000	382,011	1,082,011
2034	725,000	356,554	1,081,554
2035	750,000	329,699	1,079,699
2036	780,000	301,838	1,081,838
2037	815,000	272,574	1,087,574
2038	845,000	241,889	1,086,889
2039	880,000	209,382	1,089,382
2040	920,000	174,818	1,094,818
2041	955,000	138,100	1,093,100
2042	1,000,000	99,900	1,099,900
2043	1,040,000	59,063	1,099,063
2044	600,000	16,500	616,500
Totals	$ 16,965,000	$ 9,288,872	$ 26,253,872

Harris County Municipal Utility District No. 536
Changes in Long-term Bonded Debt
Year Ended September 30, 2019

	Bond Issues			
	Series 2018	Road Series 2018A	Series 2019	Totals
Interest rates	3.00% to 4.25%	2.75% to 4.50%	2.00% to 4.00%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2020/2043	September 1, 2020/2043	September 1, 2021/2044	
Bonds outstanding, beginning of current year	$ -	$ -	$ -	$ -
Bonds sold during current year	9,000,000	4,000,000	4,155,000	17,155,000
Retirements, principal	190,000	-	-	190,000
Bonds outstanding, end of current year	$ 8,810,000	$ 4,000,000	$ 4,155,000	$ 16,965,000
Interest paid during current year	$ 312,222	$ 134,733	$ 0	$ 446,955

Paying agent's name and address:

Series 2018 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2018A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	$ 125,000,000	$ 114,000,000	$ 239,000,000
Amount issued	$ 13,155,000	$ 4,000,000	$ -
Remaining to be issued	$ 111,845,000	$ 110,000,000	$ 239,000,000

Debt service fund cash and temporary investment balances as of September 30, 2019:	$ 766,332
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,050,155

Harris County Municipal Utility District No. 536

Comparative Schedule of Revenues and Expenditures – General Fund

Three Years Ended September 30,

	Amounts		
	2019	2018	2017
General Fund			
Revenues			
Property taxes	$ 519,257	$ 353,399	$ 1,149
Water service	410,186	214,309	8,519
Sewer service	260,587	145,472	6,960
Regional water fee	154,840	71,626	468
Tap connection and inspection fees	483,832	418,900	186,700
Penalty and interest	34,539	9,309	8
Investment income	10,268	363	59
Other income	10,897	2,100	800
Total revenues	1,884,406	1,215,478	204,663
Expenditures			
Service operations:			
Regional water fee	223,618	45,650	3,499
Professional fees	159,586	126,106	97,286
Contracted services	253,684	153,524	34,462
Utilities	48,051	27,364	18,562
Repairs and maintenance	361,669	235,855	38,316
Other expenditures	54,149	48,889	31,959
Tap connections	175,086	177,839	69,820
Lease payments	153,921	138,096	69,048
Capital outlay	44,253	-	-
Debt service, bond issuance costs	30,000	19,794	-
Total expenditures	1,504,017	973,117	362,952
Excess (Deficiency) of Revenues Over Expenditures	380,389	242,361	(158,289)
Other Financing Sources (Uses)			
Interfund transfers out	(30,573)	-	-
Developer advances	-	-	213,016
Total other financing sources (uses)	(30,573)	0	213,016
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	349,816	242,361	54,727
Fund Balance (Deficit), Beginning of Year	280,553	38,192	(16,535)
Fund Balance, End of Year	$ 630,369	$ 280,553	$ 38,192
Total Active Retail Water Connections	856	495	219
Total Active Retail Wastewater Connections	833	484	213

Percent of Fund Total Revenues		
2019	2018	2017
27.6 %	29.1 %	0.6 %
21.8	17.6	4.2
13.8	11.9	3.4
8.2	5.9	0.2
25.7	34.5	91.2
1.8	0.8	0.0
0.5	0.0	0.0
0.6	0.2	0.4
100.0	100.0	100.0
11.9	3.8	1.7
8.5	10.4	47.5
13.5	12.6	16.8
2.5	2.3	9.1
19.2	19.4	18.7
2.9	4.0	15.6
9.3	14.6	34.1
8.2	11.4	33.8
2.3	-	-
1.5	1.6	-
79.8	80.1	177.3
20.2 %	19.9 %	(77.3) %

Harris County Municipal Utility District No. 536
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended September 30, 2019

	Amounts	Percent of Fund Total Revenues
Debt Service Fund		
Revenues		
Property taxes	$ 435,023	93.7 %
Penalty and interest	10,485	2.3
Investment income	18,694	4.0
Total revenues	464,202	100.0
Expenditures		
Current:		
Professional fees	6,454	1.4
Contracted services	15,987	3.4
Other expenditures	4,615	1.0
Debt service:		
Principal retirement	190,000	40.9
Interest and fees	417,412	89.9
Total expenditures	634,468	136.6
Deficiency of Revenues Over Expenditures	(170,266)	(36.6) %
Other Financing Sources		
General obligation bonds issued	842,893	
Interfund transfers in	50,367	
Total other financing sources	893,260	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	722,994	
Fund Balance, Beginning of Year	-	
Fund Balance, End of Year	$ 722,994	

Harris County Municipal Utility District No. 536
Board Members, Key Personnel and Consultants
Year Ended September 30, 2019

Complete District mailing address:	Harris County Municipal Utility District No. 536 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056		
District business telephone number:	713.623.4531		
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):			June 29, 2018
Limit on fees of office that a director may receive during a fiscal year:		$	7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Joseph Forrester	Elected 05/18-05/22	$ 1,350	$ 361	President
Joseph D. Radzwill	Elected 05/18-05/22	1,050	13	Vice President
Alan M. Cantone	Elected 05/18-05/22	1,200	193	Secretary
Kimberly Carroll	Elected 05/16-05/20	1,350	216	Assistant Secretary
Rebecca Roberts Janik	Elected 05/16-05/20	1,950	864	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

Harris County Municipal Utility District No. 536

Board Members, Key Personnel and Consultants (Continued)

Year Ended September 30, 2019

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	09/17/15	$ 10,678	Tax Assessor/ Collector
BKD, LLP	10/19/17	32,900	Auditor
Edminster, Hinshaw, Russ & Associates, Inc.	01/08/15	207,030	Engineer
Harris County Appraisal District	Legislative Action	9,789	Appraiser
Masterson Advisors, LLC	04/19/18	329,042	Financial Advisor
Municipal Accounts & Consulting, L.P.	01/08/15	32,678	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/21/16	6,454	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	01/08/15	550,611	Attorney
Si Environmental, LLC	01/21/16	551,063	Operator
Investment Officers			
Mark M. Burton and Ghia Lewis	01/08/15	0	Bookkeepers

APPENDIX B

Financial Information Concerning the Developers and Camcorp Interests, Ltd.

Camcorp Interests, Ltd., as the limited partner of Marcello, Camillo and Treviso and the sole member of Benchmark, has delivered the consolidated financial statements and the Developers have delivered the unaudited financial information included in this APPENDIX B (the “Financial Information”) to the District for publication in connection with the District’s offer and sale of the Bonds. Certain financial information concerning the Developers is included as part of the consolidated financial statements of Camcorp Interests, Ltd. and the Financial Information has been included herein solely as additional information concerning the financial condition of the Developers. Such Financial Information is relevant, among other reasons, to the Developers’ ability to continue developing its land within the District and to pay ad valorem taxes thereon, and to preserve its financial investment in the District. Neither the Developers nor Camcorp Interests, Ltd. is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. Neither the Developers nor Camcorp Interests, Ltd. has made any 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 property within the District, or any other assets, at any time. Further, the Developers’ and Camcorp Interests, Ltd.’s financial condition is subject to change, and, financial information concerning the Developers will not be provided by the District after the sale of the Bonds. Therefore, the District cautions that the attached Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds. Camcorp Interests, Ltd. and the Developers have each represented to the District that the Financial Information relating to it has been prepared from its books and records, and fairly presented its financial condition on the date indicated in the Financial Information. Camcorp Interests, Ltd. and the Developers have each also represented to the District that the Financial Information did not fail to disclose any material fact or omit to state any material facts necessary to make such Financial Information not misleading and that there has not been any material change in its financial condition since the date on which the Financial Information is presented.

CAMCORP INTERESTS, LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.℠

DoerenMayhew
CPAs AND ADVISORS

CAMCORP INTERESTS, LTD.
AND SUBSIDIARIES

TABLE OF CONTENTS

Doeren Mayhew
CPAs AND ADVISORS

One Riverway, Ste. 1200
Houston, Texas 77056
713.789.7077
doeren.com

INDEPENDENT AUDITOR'S REPORT

To the Partners
of **Camcorp Interests, Ltd.**

We have audited the accompanying consolidated financial statements of Camcorp Interests, Ltd., a Texas limited partnership, and subsidiaries (collectively, the Companies), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations, partners' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 consolidated financial statements.

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

DoerenMayhew

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Companies as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2019, the Companies changed the accounting for certain equity securities whereby unrealized gains or losses are reflected in earnings as required by the provisions of the Financial Accounting Standards Board's Accounting Standard Update No. 2016-01. Our opinion is not modified with respect to that matter.

2018 Consolidated Financial Statements

The consolidated financial statements of the Companies, as of December 31, 2018, were audited by other auditors whose report dated April 25, 2019, expressed an unmodified opinion on those statements.

Doeren Mayhew

Houston, Texas
May 29, 2020

CAMCORP INTERESTS, LTD.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Assets	**2019**	**2018**
Cash	$ 26,359,284	$ 22,760,646
Investment in marketable securities	2,602,954	21,720,654
Accounts receivable (note 4)	17,402,734	11,728,898
Real estate inventories (note 3)	382,976,931	341,027,506
Investments in subsidiaries (note 5)	9,223,618	9,412,946
Fixed assets:		
Land	118,699	118,699
Buildings	2,302,519	2,302,519
Furniture and equipment	7,808,091	6,805,881
Vehicles	109,672	109,672
	10,338,981	9,336,771
Less: accumulated depreciation	(7,453,990)	(6,656,910)
	2,884,991	2,679,861
Other assets	1,959,916	1,379,997
Notes and accounts receivable from related parties (note 7)	53,956,587	31,795,794
Total assets	$ 497,367,015	$ 442,506,302
Liabilities and Partners' Equity		
Liabilities:		
Accounts payable and accruals	$ 36,725,407	$ 23,639,393
Customer deposits	897,755	807,420
Construction debt (note 6)	178,000,000	168,000,000
Total liabilities	215,623,162	192,446,813
Commitments and contingencies (note 8)		
Partners' equity:		
Partners' equity	280,381,897	238,377,154
Non-controlling interests in subsidiaries	1,361,956	1,144,713
Accumulated other comprehensive income	-	10,537,622
Total partners' equity	281,743,853	250,059,489
Total liabilities and partners' equity	$ 497,367,015	$ 442,506,302

See accompanying notes to consolidated financial statements.

CAMCORP INTERESTS, LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Revenue - home sales	$ 362,544,183	$ 250,656,165
Cost of homes sold	282,088,083	205,195,243
Gross profit - home sales	80,456,100	45,460,922
Revenue - lot and land sales	5,530,239	5,834,629
Cost of lots and land sold	5,272,920	3,702,906
Gross profit - lot and land sales	257,319	2,131,723
Total gross profit	80,713,419	47,592,645
Equity in earnings of subsidiaries	1,997,081	4,146,066
Interest and investment income	2,148,750	2,135,279
Gain on marketable securities	8,336,708	-
Other income	1,642,883	1,509,806
	94,838,841	55,383,796
Expenses:		
General and administrative	17,790,091	15,698,337
Construction and development costs, net of capitalized amounts	59,865	45,239
Sales and marketing	8,228,684	6,647,828
Interest expense, net	5,057,295	4,652,332
Total expenses	31,135,935	27,043,736
Income before provision for Texas franchise tax	63,702,906	28,340,060
Provision for Texas franchise tax	538,169	294,956
Net income	63,164,737	28,045,104
Net income attributable to the non-controlling interests	(79,982)	(27,431)
Net income attributable to Camcorp Interests, Ltd.	63,084,755	28,017,673
Other comprehensive income:		
Unrealized gain (loss) on investments available for sale	-	(3,980,703)
Total comprehensive income	$ 63,084,755	$ 24,036,970

See accompanying notes to consolidated financial statemtents.

CAMCORP INTERESTS, LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Camcorp Interests, Ltd. Partners' Equity	Non-Controlling Interests	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2017	$ 215,322,614	$ 1,117,282	$ 14,518,325	$ 230,958,221
Distributions	(4,963,133)	-	-	(4,963,133)
Unrealized loss on marketable securities	-	-	(3,980,703)	(3,980,703)
Net income	28,017,673	27,431	-	28,045,104
Balance, December 31, 2018	238,377,154	1,144,713	10,537,622	250,059,489
Correction of beginning equity balance	(137,261)	137,261	-	-
Cumulative effect from change in accounting principle	10,537,622	-	(10,537,622)	-
Balance, January 1, 2019	248,777,515	1,281,974	-	250,059,489
Distributions:				
Cash	(3,448,373)	-	-	(3,448,373)
Marketable securities	(28,032,000)	-	-	(28,032,000)
Net income	63,084,755	79,982	-	63,164,737
Balance, December 31, 2019	$ 280,381,897	$ 1,361,956	$ -	$ 281,743,853

See accompanying notes to consolidated financial statements.

CAMCORP INTERESTS, LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows provided by (used for) operating activities:		
Net income	$ 63,164,737	$ 28,045,104
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	796,698	909,998
Gain on marketable securities	(8,336,708)	-
Changes in assets and liabilities:		
Increase in accounts receivable	(5,673,836)	(1,714,025)
Increase in real estate inventories	(41,949,425)	(48,637,917)
Increase in other assets	(579,919)	(521,175)
Increase in accounts payable and accrued liabilities	13,086,014	972,385
Increase in customer deposits	90,335	233,426
Total adjustments	(42,566,841)	(48,757,308)
Net cash provided by (used for) operating activities	20,597,896	(20,712,204)
Cash flows provided by (used for) investing activities:		
Purchases of fixed assets	(1,001,828)	(760,691)
Investments in subsidiaries	189,328	(767,120)
Investments in marketable securities	(577,592)	(461,169)
Net cash used for investing activities	(1,390,092)	(1,988,980)
Cash flows provided by (used for) financing activities:		
Notes and accounts receivable from related parties	(22,160,793)	(2,095,579)
Construction debt	10,000,000	41,500,000
Distributions	(3,448,373)	(4,963,133)
Net cash provided by (used for) financing activities	(15,609,166)	34,441,288
Net change in cash and cash equivalents	3,598,638	11,740,104
Beginning balance of cash	22,760,646	11,020,542
Ending balance of cash	$ 26,359,284	$ 22,760,646
Supplemental information:		
Interest paid during the period	$ 9,495,700	$ 7,910,738
Texas franchise tax paid	$ 317,800	$ 188,083
Non-cash activities:		
Distribution of marketable securities	$ (28,032,000)	$ -

See accompanying notes to consolidated financial statements.

Note 1 - Organization, Basis of Presentation and Operations

Organization

The accompanying financial statements include the accounts of Camcorp Interests, Ltd. (Camcorp) and its fully consolidated subsidiaries (collectively, the Companies). Camcorp was organized in 1993 as a Texas limited partnership; all of its consolidated subsidiaries are Texas limited partnerships or limited liability companies as well, and include:

Company Name	Date Organized	Company Name	Date Organized
Windsor Park Estates, Ltd.	1993	Marcello Lakes, Ltd.	2013
Westbranch Estates, Ltd.	1993	Camillo Lakes, Ltd.	2013
Legend Classic Homes, Ltd.	1994	Evergreen Villas, Ltd.	2015
Windermere Interests, Ltd.	1996	Tresviso Gardens, Ltd.	2015
Chelsea Harbour, Ltd.	2000	Lilac Bend, Ltd.	2016
Lismore Lake Estates, Ltd.	2000	Upland Estates, Ltd.	2016
Interlock Concrete Pavers, L.P.	2000	Adelaide Interests, Ltd.	2017
Sydney Harbour Interests, Ltd.	2001	Saltgrass Meadows, Ltd.	2017
Oaklake Court, Ltd.	2003	Madison Bend, Ltd.	2017
Plantation Interests, Ltd.	2003	Brooklyn Trails, Ltd.	2017
Rio Vista CMI, Ltd.	2003	Somerset Trails, Ltd.	2018
Forest Creek Interests, Ltd.	2003	Rivers Edge Interests, Ltd.	2018
Triton Interests, Ltd.	2003	Sycamore Landing, Ltd.	2018
C.M.I. BenchMarc, Ltd.	2003	Pine Ridge Interests, Ltd.	2018
Katy Creek Ranch, L.P.	2003	Legends of Hanna Ranch, Ltd.	2018
Austinville Interests, Ltd.	2004	Bender’s Creek, Ltd.	2018
C.M.I. Palms, Ltd.	2004	Enchanted Bay, Ltd.	2018
Silver Springs Interests, Ltd.	2004	Green Lake Meadow, Ltd.	2018
Werrington Interests, Ltd.	2004	Mackenzie Creek, Ltd.	2018
Bella Vista CMI, Ltd.	2005	Abbey Lakes, Ltd.	2019
Bavaria CMI, Ltd.	2005	Applewhite Meadows, Ltd.	2019
Brenwood CMI, Ltd.	2005	Blue Wing Trails, Ltd.	2019
Charleston CMI, Ltd.	2005	Cypresswood Landing Interests, Ltd.	2019
Brenwood South, Ltd.	2006	Deer Creek Interests, Ltd.	2019
Legends Trace, Ltd.	2006	Hunter's Creek Interests, Ltd.	2019
CMI Teal Run Ltd.	2006	Imperial Heights, Ltd.	2019
Merrylands, Ltd.	2006	Mackenzie Creek II, Ltd.	2019
Benchmark Acquisitions, LLC	2006	Oaks of Lakewood Village, Ltd.	2019
CIL Procurement, LLC	2008	Orchard Village, Ltd.	2019
New Bear Creek Interests, LLC	2008	South Meadows, Ltd.	2019
Victorian Gardens, LLC	2011		

Camcorp owns 100% of Legend Classic Homes, Ltd. (Legend), Interlock Concrete Pavers, L.P. (ICP), CIL Procurement, LLC, Benchmark Acquisitions, LLC and Katy Creek Ranch, L.P. It also owns 99.5% of Windsor Park Estates, Ltd., Windermere Interests, Ltd., and Westbranch Estates, Ltd.

Camcorp owns approximately 99% of each of the other entities listed above. Camcorp Interests, Ltd. is equally owned by two Texas trusts.

All significant intercompany transactions and balances are eliminated in the consolidated financial statements.

Continued

Note 1 - Organization, Basis of Presentation and Operations (Continued)

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 consolidated financial statement presentation. Such reclassifications had no effect on net income as previously reported.

Operations

Legend Classic Homes, Ltd. (Legend) and Bella Vista CMI, Ltd. (Bella) are engaged in the homebuilding industry, constructing and selling single-family homes in the Houston and San Antonio, Texas metropolitan areas. Most of the other companies develop land into improved lots for use by Legend and Camillo Properties, Ltd., a related company, as well as for sale to other third-party homebuilders in the Houston or San Antonio areas.

Westbranch Estates, Ltd. and Triton Interests, Ltd. (Triton) hold investments in rental properties. Benchmark Acquisitions, LLC invests in commercial land reserves.

Contracts with customers for home construction can be satisfied in less than one year, but development activities preceding construction contracts can extend for several years. Accordingly, the Companies' assets and liabilities are not segregated between current and long-term.

Note 2 - Summary of Significant Accounting Policies

Cash and Concentrations of Credit Risk

The Companies invest their cash in deposit accounts with financial institutions and balances, at times, may exceed the federally insured limits. As of December 31, 2019 and 2018, the Companies had approximately $27.7 million and $24 million, respectively, of uninsured funds at risk. The Companies have not experienced any losses from this credit risk and management believes the risk of loss is minimal.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Investment in Marketable Securities

The Companies had invested a portion of their cash on hand by purchasing marketable securities; management considered this investment portfolio to be available-for-sale. Accordingly, these investments were recorded at fair value. Prior to 2019, at the end of each reporting period, cumulative unrealized gains and losses on these investments were recorded in accumulated other comprehensive income (loss) on the balance sheet and the change in the market value from year to year was reflected as a component of other comprehensive income on the statement of operations. However, due to a change in accounting principle that was adopted in 2019, an adjustment was made to reflect the cumulative market difference as of December 31, 2018 as a component of partners' equity. See further discussion below. During 2019, $28 million of these marketable securities were transferred to the Companies' owners as a distribution of equity. The transfer price was based on the fair market value of those securities as of the date of transfer. As of December 31, 2019, the Companies still had marketable securities of $2.6 million of which $2.1 million was cash and funds in money market accounts that were held by the investment broker. The Companies' marketable securities are in the custody of a single financial institution. The primary objective of these investments is attaining higher yields than the Companies earn on their cash and cash equivalents and maintaining a high degree of liquidity. The fair value of the corporate securities is based on quoted prices for identical assets and therefore, they have been classified as Level 1 in the FASB's hierarchy of fair value.

The Companies' investment portfolio consists of corporate equity securities and cash and money market accounts as reflected below:

	As of December 31, 2019		
	Unamortized Cost	Gross Unrealized Gain (Loss)	Fair Value
Corporate equity securities	$ 587,442	$ (85,066)	$ 502,376
Cash/money accounts	2,100,578	-	2,100,578
	$ 2,688,020	$ (85,066)	$ 2,602,954

	As of December 31, 2018		
	Unamortized Cost	Gross Unrealized Gain	Fair Value
Corporate equity securities	$ 9,465,378	$ 10,537,622	$ 20,003,000
Cash/money accounts	1,717,654	-	1,717,654
	$ 11,183,032	$ 10,537,622	$ 21,720,654

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Investment in Marketable Securities (Continued)

The following recap shows the components of the gain on the marketable securities recognized during 2019:

Net gain and losses recognized from equity securities	$ 8,336,708
Less net gain recognized on equity securities distributed	(8,421,774)
Unrealized loss recognized on equity securities still held as of December 31, 2019	$ (85,066)

Revenue Recognition

The Companies recognize revenue from home sales and lot sales to outsiders when a closing occurs. A closing is considered to occur when payment has been received; title, possession, and other attributes of ownership have been transferred to the buyer; and the Companies are not obligated to perform significant activities after the sale. The Companies' performance obligation, to deliver the agreed-upon home, is generally satisfied in less than one year from the original contract date. Each residential unit is a single performance obligation that is satisfied at the point of closing of the sale. Lot sales from a company in the consolidated group to Legend are recognized when the home is actually closed by Legend to outsiders. Net profit on lot sales to Legend is treated as a reduction of cost of home sales or as a reduction of real estate inventories in the accompanying financial statements.

Real Estate Inventories and Cost of Sales

Real estate inventories are stated at the lower of cost (specific identification) or estimated net realizable value. Interest, certain overhead and property taxes are capitalized during the construction or development period. Land acquisition and development costs are allocated to individual lots using an average lot cost determined based on the total expected land acquisition and development costs and the total expected home closings for the community.

Cost of sales includes the construction cost, average lot cost, estimated warranty costs and closing costs applicable to the home. The construction cost of the home includes amounts paid through the closing date, plus an accrual for costs incurred but not yet paid. Total community land acquisition and development costs are based on an analysis of budgeted costs compared with actual costs incurred to date and estimates to complete. Adjustments to estimated total land acquisition and development costs for the community affect the amounts costed for the community's remaining lots.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Real Estate Inventories and Cost of Sales (Continued)

Real estate inventories are tested for impairment when events or circumstance indicate that the undiscounted cash flows to be generated by a home or development may be less than its carrying amount. Such indicators include gross margins or sales paces significantly below expectations, construction costs or land development costs significantly in excess of budgeted amounts, significant delays or changes in the planned development or strategy for the community, and other known qualitative factors. For those assets whose carrying values exceed the expected undiscounted cash flows, we estimate the fair value of the asset is estimated, and impairment charges are recorded if the fair value is less than its carrying value. No such impairment charges were recorded in 2019 or 2018.

In the normal course of business, the Companies enter into non-specific performance option contracts to purchase improved lots that generally require an initial deposit that typically ranges between 5% to 20% of the stated purchase price. The option deposits are included in residential inventory. As of December 31, 2019, the Companies have entered into lot agreements with third parties to purchase approximately 1,100 lots at a base price of approximately $60 million.

Advertising

The Companies expense the cost of advertising as it is incurred. Thus, the Companies had no prepaid advertising recorded as assets as of December 31, 2019 and 2018. During the years ended December 31, 2019 and 2018, advertising expense was $1,206,206 and $1,062,450, respectively.

Fixed Assets

Fixed assets include an office building, residential rental properties, computers and other office equipment, office furniture, model home furniture and vehicles. These assets are stated at cost net of accumulated depreciation. Depreciation expense is provided using the straight-line method for the buildings and an accelerated method for other fixed assets, over their estimated useful lives. Depreciation expense for the years ended December 31, 2019 and 2018, was $796,698 and $909,998, respectively.

Other Assets

Other assets primarily consist of origination and other fees relating to the annual renewal of the revolving construction debt.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Interest

Camcorp charges its subsidiaries a monthly interest fee at a rate of 9% per annum based on their average asset balances at the end of each month; this fee includes the bank interest incurred by Camcorp which is allocated directly to the subsidiaries based on their outstanding payable to Camcorp at the end of each month. The difference in the bank interest that is allocated, and the total fee charged by Camcorp is eliminated in consolidation. Interest incurred on bank debt and other notes payable approximated $7.9 million and $8.2 million during 2019 and 2018, respectively. During 2019 and 2018, interest of approximately $2,692,000 and $1,982,000, respectively, was capitalized to real estate inventories and approximately $2,180,000 and $963,000, respectively, flowed through cost of homes sold during the respective years. As discussed in the Related Party Transactions note, interest incurred by the Companies in 2019 and 2018, was reduced by the amount that was charged to Camillo as interest based on the amount it owed Camcorp during the respective year.

Accounts Payable and Accrued Liabilities

As of December 31, 2019 and 2018, accounts payable and accrued liabilities consisted of:

	2019	2018
Accounts payable	$ 11,695,775	$ 1,096,577
Housing accrual	8,516,854	7,901,642
Insurance accrual	5,307,224	5,403,707
Property tax accrual	2,725,531	4,285,982
Warranty accrual	1,353,937	921,257
Other accrued liabilities	7,126,086	4,030,228
Total accounts payable and accrued liabilities	$ 36,725,407	$ 23,639,393

Warranty Reserves

Warranty reserves have been established by charging cost of homes sold and crediting a warranty liability for each home closed. The amounts charged are estimated by management to be adequate to cover expected warranty-related costs incurred during the unexpired warranty period. Legend's warranty cost accruals are based upon historical warranty experience and are adjusted as appropriate to reflect qualitative risks associated with the types of homes built. During 2019 and 2018, these warranty reserves were adjusted to reflect management's current estimate of such costs.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Warranty Reserves (Continued)

The following sets forth the activity in the warranty reserve for the years ended December 31, 2019 and 2018:

	2019	2018
Beginning warranty reserves	$ 921,257	$ 808,066
Accruals during the year	1,536,334	916,755
Actual payments made	(1,103,654)	(803,564)
Ending warranty reserves	$ 1,353,937	$ 921,257

Customer Deposits

The Companies require earnest money deposits from outside purchasers of their homes or lots. These amounts are recorded as deposits until such time as the sale has closed and the funds are applied toward the purchase price.

Fair Value Measurements

When available, the Companies use quoted market prices in active markets to determine fair value. The Companies consider the principal market and nonperformance risk associated with the Companies' counterparties when determining the fair value measurements, if applicable. Fair value measurements are used for the Companies' marketable securities and are used for real estate inventories on a non-recurring basis, when events and circumstances indicate that the carrying value may not be recoverable.

The fair value of financial instruments classified as assets or liabilities, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, construction debt, and customer deposits, approximate carrying value, principally because of the short maturity of those items.

Income Taxes

The Companies are partnerships or limited liability companies and, therefore, they are not required to record a provision (benefit) for federal income taxes in the accompanying financial statements. The liabilities for federal income taxes on taxable income of the Companies are liabilities of the owners.

The Companies file income tax returns in the U.S. federal jurisdiction and the state of Texas. The Companies are no longer subject to U.S. federal, state and local examinations by tax authorities for the years before 2016. The Companies' tax returns from inception have not been examined and are subject to final determination by the Internal Revenue Service. Since many types of transactions are susceptible to varying interpretations under federal income tax laws and regulations, the amounts reported may be subject to change at a later date upon final determination by the Internal Revenue Service.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Texas franchise tax is based on gross margin; since the tax base on the franchise tax is derived from an income-based measure, the tax has characteristics of an income tax and as a result, the provisions of FASB ASC 740-10 regarding accounting for income taxes apply to this tax. In accordance with those provisions, the effect on deferred liabilities of a change in a tax law should be included in tax expense attributable to continuing operations in the period including the enactment date. The tax is computed at 0.75% of the gross profit of the Companies, adjusted for various exclusions to the Companies' revenue and cost of goods sold. The amount of franchise tax estimated for 2019 and 2018 is $538,169 and $294,956, respectively.

New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new Topic 606 is referred to as the "new guidance." The requirements of the new guidance were adopted as of January 1, 2019 using the modified retrospective method of transition and did not result in changes to the Companies' accounting policies for revenue as described above.

In 2019, the Companies also adopted FASB ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Liabilities*. ASU No. 2016-01 changes the accounting for certain equity securities requiring them to be recorded at fair value with unrealized gains or losses reflected in earnings. The Companies adopted the ASU using a modified retrospective approach in the first quarter of 2019 and recorded a cumulative effect adjustment as of January 1, 2019, that increased partners' equity by $10,537,622 as a result of a transition adjustment to reclassify net realized gains on equity securities from accumulated other comprehensive income to partners' equity.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Ultimate actual results could differ from these estimates.

Continued

Note 3 - Real Estate Inventories

As of December 31, 2019 and 2018, real estate inventories consisted of the following:

	2019	2018
Homes:		
Models	$ 9,681,641	$ 10,037,612
Completed:		
Under contract for sale	12,938,326	16,812,546
Unsold	46,659,218	67,730,359
Under construction:		
Under contract for sale	26,864,018	13,562,442
Unsold	56,887,226	45,850,220
Improved lots, land and land under development	211,834,845	170,438,367
Land held for investments	13,177,360	10,495,358
Land and lot deposits	4,934,297	6,100,602
Total	$ 382,976,931	$ 341,027,506

Certain of the real estate inventories serve as collateral for the construction debt.

Note 4 - Revenues by City and Contract Balances

The following recap shows the revenues by city:

	2019	2018
Home sales revenue:		
Houston	$ 224,444,504	$ 135,386,512
San Antonio	127,433,371	114,300,172
Dallas	10,666,308	969,481
	362,544,183	250,656,165
Lot sales revenue:		
Houston	3,701,755	4,079,013
San Antonio	1,828,484	1,755,616
	5,530,239	5,834,629
Total revenues	$ 368,074,422	$ 256,490,794

Continued

Note 4 - Revenues by City and Contract Balances (Continued)

The beginning and end of year accounts receivable contract balances were as follows:

	2019	2018
Beginning of year	$ 4,583,988	$ 2,032,712
End of year	$ 5,325,631	$ 4,583,988

These amounts are proceeds from closings in transit from title companies for which the Companies have an unconditional right to payment. These amounts are included in accounts receivable on the accompanying consolidated balance sheets.

Note 5 - Investment in Unconsolidated Subsidiaries

In addition to the consolidated subsidiaries that are included in these financial statements, Camcorp also holds a minority interest in several other entities. These investments are carried using the equity method whereby the investment accounts are increased by Camcorp's percentage of the entities' net income and reduced by distributions made by the entities to Camcorp. Most of these entities are involved in land development and Camcorp (or Legend) purchases (or plans to purchase) lots from these unconsolidated subsidiaries. The following recap shows the investment balances as of December 31, 2019 for each unconsolidated subsidiary:

	Investment Balance	% Owned
Eagle Star, Ltd.	$ 2,890,298	49.5%
Greatmark Consolidated, Ltd.	2,743,153	49.5%
New Rodeo 288, Ltd.	2,987,605	33.3%
First Choice Lending Group, LP	354,162	65.0%
LCH Title Company	203,662	49.0%
Vista Title Company	44,738	49.0%
	$ 9,223,618	

As of December 31, 2019, these companies have total assets of $27.6 million and a combined equity of $21.4 million.

Note 6 - Debt

The Companies entered into an unsecured senior credit facility that allows for total borrowings of $275 million. The revolving credit agreement is a syndicated arrangement with the Companies' prior lender serving as the syndication agent and a new lender serving as the administrative agent.

Continued

Note 6 - Debt (Continued)

The credit facility is subject to a borrowing base that specifies the percentage of each category of real estate inventories that can be included in such base as collateral; the actual borrowings available are the lesser of the $275 million or the borrowing base as specified. The credit facility matures in September 2021 and its interest rate varies with the LIBOR rate; as of December 31, 2019, the interest rate was 4.44%. The agreement is subject to certain periodic fees including a utilization fee based on the unused portion of the facility to be paid quarterly.

The loan agreement contains certain restrictive covenants which require, among other things, a minimum net worth of $160 million plus 25% of consolidated net income for each quarter; a maximum debt to equity ratio, as defined, of 1.25:1; a minimum interest coverage of 1.5:1; and minimum liquidity, as defined, of $25 million. As of December 31, 2019 and 2018, the Companies had $178 million and $168 million, respectively, outstanding under this credit facility and were in compliance with the covenants specified above.

Note 7 - Related Party Transactions

Legend purchases lots for use in its homebuilding activities from some of Camcorp's consolidated subsidiaries as well as unconsolidated subsidiaries. The lots are purchased by Legend from these entities at fair market value and those subsidiaries record the revenue and related cost of sales from these transactions. However, as of December 31, 2019 and 2018, a significant portion of the lots purchased by Legend from its consolidated subsidiaries had not been sold to third parties. The profit recognition on these lots is deferred until the lots are sold outside of the consolidated group. The revenue and cost of sales related to these lots was reversed on the subsidiaries' books and the applicable lot cost was reversed on Legend's books. The following recap summarizes these transactions:

	2019		
	Revenue	Cost of Sales	Net Profit
Beginning deferred income	$ 12,605,195	$ 9,808,909	$ 2,796,286
Additional lot purchases by Legend	24,809,877	19,622,070	5,187,807
Amount recognized (sold to 3rd parties)	(23,391,455)	(17,960,289)	(5,431,166)
Ending deferred income	$ 14,023,617	$ 11,470,690	$ 2,552,927

	2018		
	Revenue	Cost of Sales	Net Profit
Beginning deferred income	$ 12,886,428	$ 9,996,167	$ 2,890,261
Additional lot purchases by Legend	12,558,411	9,246,061	3,312,350
Amount recognized (sold to 3rd parties)	(12,839,644)	(9,433,319)	(3,406,325)
Ending deferred income	$ 12,605,195	$ 9,808,909	$ 2,796,286

Continued

Note 7 - Related Party Transactions (Continued)

This presentation does not include the lots sold to Camillo Properties Ltd. (Camillo), a related party, as no deferral is made on these lots. The net profit on the purchases recognized from the lot sales recapped above is offset against "Cost of homes sold" in the accompanying consolidated statements of operations.

Camillo, which has common ownership with Camcorp, has an agreement with Legend and Bella whereby Legend or Bella builds homes on lots owned by one of the Companies. A fee is not charged for this construction and upon completion, the homes are transferred to Camillo at the cost of construction plus lot cost, through the use of a related party receivable account. During 2019 and 2018, 23 and 38 such homes were transferred to Camillo at a total cost of $7.9 million and $7.6 million, respectively.

Camillo started constructing homes to be used as rental properties before its construction financing agreements were in place; so, Camillo borrowed most of the funds needed for this construction from the Companies. Camillo now has two financing construction agreements, but from time to time still borrows funds from the Companies mainly to cover land development, purchases of lots and homes purchases from Legend and Bella; as of December 31, 2019 and 2018, Camillo owed the Companies approximately $34.7 million and $14.1 million, respectively. Camcorp charges Camillo interest on this receivable by allocating a portion of its interest incurred on the bank debt to Camillo monthly; this allocation increases Camcorp's receivable balance from Camillo. Camillo is charged interest based on its average receivable balance each month at the same rate that Camcorp is charged by the lender. During the years ended December 31, 2019 and 2018, Camcorp allocated $1,609,642 and $1,009,942, respectively, of its interest cost to Camillo.

In addition to the amounts owed to the Companies by Camillo, additional amounts are due from other related entities. Most of those entities are owned or controlled by the beneficiaries of the Trusts that own Camcorp. As of December 31, 2019 and 2018, the total owed by these entities was $18.5 million and $16.9 million, respectively. One such note receivable in the amount of $7.1 million was used to finance the purchase of a building that is owned by a related party. The note bears interest at a rate of 2.4% per annum and is due upon demand. The building serves as collateral for this note. The remaining receivables are non-interest bearing, have no set maturity date and are due upon demand.

The Companies pay consulting fees to the beneficiaries of the Trusts that own Camcorp for legal, financial and administrative services.

Continued

Note 7 - Related Party Transactions (Continued)

Anticipated MUD Reimbursements

The Companies book receivables for the anticipated reimbursements from Municipal Utility Districts (MUDs) for development infrastructure. These anticipated reimbursements are based on management analysis and estimation which consider historic collections as well as consultation with development engineers. As the lots are completed and sold to Camillo, the cost of the lot is recorded net of the anticipated MUD reimbursement; that reimbursement is not transferred to Camillo but rather retained on the Companies' books. Additionally, the Companies record anticipated reimbursables for lots that were developed and transferred to Legend and Bella. The MUD receivables for these internal transfers are recorded as the lot is transferred from the development company to the homebuilding company.

As of December 31, 2019 and 2018, the Companies had $12.3 million and $7.1 million, respectively, in anticipated MUD reimbursements included in accounts receivable. During 2019, the Companies collected $4.2 million in such receivables and recorded approximately $9.4 million in additional anticipated reimbursements for lots that were transferred to Camillo or to the homebuilding entities. In 2019, the Companies also received approximately $9.2 million in MUD reimbursements that had not been previously set up as receivables; this amount was offset against real estate inventories or cost of sales in the 2019 financial statements. It is anticipated that for those projects that are under active development or have actually been completed as of the end of December 2019, that an additional $40.3 million in MUD receivables will be recorded as the lots are transferred from the developer to the ultimate user.

Note 8 - Commitments and Contingencies

Commitments and contingencies include the usual obligations of homebuilding and land development companies for the completion of contracts and those incurred in the ordinary course of business. The Companies are also involved in disputes and claims common in their business, and management believes that the disposition of such disputes and claims will not have a material effect on the Companies' financial position or results of operations.

Defined Contribution and Profit Sharing Plan

Legend has a defined contribution and profit sharing plan (the Plan). All full-time employees over 21 years of age are eligible to participate in the Plan after three months of employment and may join the Plan on the first day of January, April, July or October after eligibility requirements are met. Employees may elect to contribute up to 20% of their compensation for the defined contribution portion of the Plan. Legend is not required to, but at the discretion of management, may make contributions to the Plan. Legend's contributions for the years ended December 31, 2019 and 2018 were minimal.

Continued

Note 9 - Subsequent Events

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide, including disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of May 29, 2020, the Company's management is assessing the impact on its operation and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.

On April 14, 2020, the Companies obtained a 1% twenty-four-month term loan of $3,085,745, that is guaranteed through the Unites States Small Business Administration (SBA) program titled the Paycheck Protection Program (PPP). Amongst the provisions of this program, the SBA will guarantee up to 100% of the loan and the full principal amount may qualify for loan forgiveness if the Companies comply with all requirements of the program.

In accordance with ASC Topic 855, the Companies have evaluated subsequent events and transactions up to and including May 29, 2020, the date the financial statements were available to be issued and where necessary, have made the appropriate disclosures.

*** * * End of Notes * * ***

APPENDIX C

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)