

OFFICIAL STATEMENT DATED APRIL 29, 2021

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: Insured BAM S&P “AA” (Stable Outlook); Underlying Rating: Moody’s “A1”
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein and will not be included in the alternative minimum taxable income of the owners thereof.

THE BONDS WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

\$9,780,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 153
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2021

Dated: June 1, 2021 (Interest accrues from Date of Delivery)

Due: September 1, as shown on the inside cover page

The \$9,780,000 Harris County Municipal Utility District No. 153 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”), constitute obligations solely of Harris County Municipal Utility District No. 153 (the “District”) and are not obligations of the State of Texas (the “State”), Harris County, Texas, the City of Houston, Texas, or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the date of delivery, currently anticipated to be June 3, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY-SYSTEM.” The initial paying agent/registrar is BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). The Bonds are being issued to refund a portion of the District’s outstanding Unlimited Tax Refunding Bonds, Series 2013 and Unlimited Tax Bonds, Series 2014 to achieve a debt service savings, and to pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”

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 (“BAM”)**. See “MUNICIPAL BOND RATINGS” AND “BOND INSURANCE.”



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS AND CUSIP NUMBERS**
(see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as, and if issued by the District and accepted by the initial purchaser thereof named below (the “Underwriter”) subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon, on behalf of the Underwriter, by Locke Lord LLP, Austin, Texas, Underwriter’s Counsel. The Bonds in definitive form are expected to be available for delivery through DTC on June 3, 2021.

BAIRD

MATURITY SCHEDULE
(Due September 1)

CUSIP PREFIX: 413919

Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2021	\$ 70,000	3.000%	0.350%	KY6	2028	\$ 265,000	4.000%	1.200%	LF6
2022	10,000	3.000%	0.400%	KZ3	2029 ^(a)	315,000	3.000%	1.400%	LG4
2023	10,000	3.000%	0.450%	LA7	2030 ^(a)	510,000	2.000%	1.550%	LH2
2024	320,000	3.000%	0.450%	LB5	2031 ^(a)	1,005,000	3.000%	1.600%	LJ8
2025	370,000	3.000%	0.650%	LC3	2032 ^(a)	1,995,000	2.000%	1.750%	LK5
2026	445,000	4.000%	0.900%	LD1	2033 ^(a)	1,965,000	2.000%	1.850%	LL3
2027	470,000	4.000%	1.050%	LE9	2034 ^(a)	2,030,000	2.000%	1.950%	LM1

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption."
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, or Public Finance Group LLC, the District's financial advisor (the "Financial Advisor"), is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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 "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule").

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the 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, to the extent that information actually comes to its attention, until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

The statements contained in this Official Statement, and in other information provided by the District, that are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions in the bond purchase agreement, to purchase the Bonds from the District for \$10,171,053.22 (an amount equal to the principal amount of the Bonds, plus a premium of \$475,897.60, less an Underwriter's discount of \$84,844.38). The Underwriter's obligation is to purchase all of the Bonds if any are purchased. See "PLAN OF FINANCING – Sources and Uses of Funds."

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the offer and sale of the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “AA” (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s Investor Service, Inc. (“Moody’s”) has assigned an underlying rating of “A1” to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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 an appendix 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 December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 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 "BOND INSURANCE".

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price,

marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

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 <http://www.buildamerica.com/videos>. (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 www.buildamerica.com/credit-profiles. 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.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT

The District.....	Harris County Municipal Utility District No. 153 (the "District") was created on September 23, 1977, by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality ("TCEQ"), and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. See "THE DISTRICT - General."
Location.....	The District, a political subdivision of the State of Texas, is located approximately 20 miles northeast of the central business district of Houston and lies approximately 7 miles east of the intersection of Farm-to-Market 1960 ("FM 1960") and U.S. Highway 59 ("U.S. 59"). The District lies entirely within the extraterritorial jurisdiction of the City of Houston and consists of approximately 1,131 acres. See "THE DISTRICT - Location."
The Developer	The Developer of approximately 83.17 acres within the District is Merrylands Interest, Ltd., a Texas limited partnership ("Merrylands" or the "Developer"), whose general partner is Camcorp Management, Inc., a Texas corporation doing business as Academy Development. Camcorp Management, Inc. is an affiliate of Legend Classic Homes, Ltd., a Texas limited partnership whose general partner is Legend Homes Corporation, a Texas corporation. See "THE DEVELOPER."
Status of Development.....	Of the approximate 1,131 acres encompassed by the District, approximately 1,052 acres are developable. Development of the District commenced in 1982, and as of March 1, 2021, 97.33% of the developable acreage within the District had been developed with utility facilities. The District is being developed as a mixed-use development, and as of March 1, 2021, development included eleven single family residential subdivisions, four multi-family apartment complexes, country club, office, commercial, retail, medical, schools and churches. The single family residential development includes 2,972 developed single family lots, which contain 2,849 completed single family homes (with multiple homes constructed on multiple lots) and/or under construction and 51 developed vacant single family lots. Multifamily development consists of The Sunrise at Atascocita apartment complex (144 apartment units – 97% occupied); The Sarah at Lake Houston apartment complex (350 units - 91% occupied); The Rosemary apartment complex (384 units - 93% occupied); and the Dryden apartment complex (327 units - 83% occupied). Office development includes the Atascocita Office Park encompassing the Bank of America bank building (45,943 square feet), and the Atascocita Kingwood Professional Plaza containing three office buildings encompassing approximately 15,000 square feet each. Office development along West Lake Houston Parkway, south of FM 1960 includes four office buildings on approximately 10 acres. Commercial development includes a Mini Storage consisting of 400 storage units located on 7.5 acres and X L Parts. Retail development includes an 110,000 square foot shopping center consisting of 8 retail outlets. Also located within the District are a Whataburger restaurant, Community Bank, two schools, three churches, a fire station, a hotel, a funeral home, and amenity improvements. See "THE DISTRICT – Status of Development" and "INVESTMENT CONSIDERATIONS – Remaining Undeveloped Property."
COVID-19 Pandemic	The potential impact of the COVID-19 pandemic on the District cannot be quantified at this time but the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein is the latest available but is as of dates and for the periods largely prior to the economic impact of the pandemic and the measures instituted to control the pandemic. Accordingly, the data is not indicative of the economic impact of the pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19)."

THE BONDS

Description	The Bonds in the aggregate principal amount of \$9,780,000 mature serially in varying amounts on September 1 of each of the years 2021 through 2034, inclusive, as set forth on the inside cover page hereof. Interest accrues from the date of delivery, currently anticipated to be June 3, 2021, at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2021, and each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
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Redemption	Bonds maturing on and after September 1, 2029, 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, 2028, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption."
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of and Security for Payment."
Payment Record.....	The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."
Authority for Issuance	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State, including Chapter 1207 of the Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, bond elections held within the District on July 16, 1983, and November 7, 2006, approving the issuance of the Bonds, an order adopted by the Board of Directors of the District on April 21, 2021, and a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"). See "THE BONDS - Authority for Issuance."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding Unlimited Tax Refunding Bonds, Series 2013 and its outstanding Unlimited Tax Bonds, Series 2014 (together, the "Refunded Bonds") to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING."
Bonds Authorized But Unissued	At elections held within the District on July 16, 1983, and November 7, 2006, the District's voters authorized the issuance of an aggregate principal amount of \$70,070,000 of unlimited tax bonds for the construction of the District's water, sanitary sewer, and drainage system. To date, the District has issued eight installments of bonds to acquire utility facilities in the aggregate principal amount of \$40,805,000, and \$29,265,000 in bonds for water, wastewater, and drainage facilities remains authorized but unissued. The District has submitted a bond application to the TCEQ to issue \$13,330,000 principal amount of unlimited tax bonds, and such bonds are expected to be issued in the second half of 2021. Additionally, at elections held within the District on July 16, 1983, and November 7, 2006, voters of the District authorized the issuance of \$75,535,000 principal amount of unlimited tax bonds for the purpose of refunding the District's outstanding bonds, and \$72,439,769 principal amount of unlimited tax refunding bonds will remain authorized but unissued after the issuance of the Bonds. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6" and "THE BONDS - Issuance of Additional Debt."
Municipal Bond Ratings and Bond Insurance	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds.
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in "TAX MATTERS" herein.
Not Qualified Tax-Exempt Obligations	The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions."

INCLEMENT WEATHER

General.....	The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.
Impact on District.....	The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Municipal Operations and Consulting (the "Operator"), there were no interruptions of water and sewer service as a result of Hurricane Harvey. According to BGE, Inc. (the "Engineer"), the District's system did

not sustain any material damage from Hurricane Harvey. The District did receive reports that a number of 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.

Bond Counsel	Norton Rose Fulbright US LLP, Houston, Texas.
Underwriter's Counsel.....	Locke Lord LLP, Austin, Texas
Financial Advisor	Public Finance Group LLC, Austin, Texas.
Escrow Agent	BOKF, NA, Dallas, Texas.
Paying Agent/Registrar.....	BOKF, NA, Dallas, Texas.
Verification Agent	Public Finance Partners LLC, Minneapolis, Minnesota.

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2020 Certified Assessed Valuation		\$ 716,314,540	(a)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 17,365,000	(b)
Ratio of Gross Debt to 2020 Certified Assessed Valuation		2.42%	
2020 Tax Rate			
	Debt Service	\$ 0.2925	
	Maintenance	<u>0.1755</u>	
	Total 2020 Tax Rate	<u>\$ 0.4680</u>	(c)
Debt Service Fund Balance (as of April 21, 2021)		\$ 2,430,499	(d)
Percentage of current tax collections - Tax Year (2020)		96.88%	(e)
Percentage of total tax collections - Tax Years (2010-2020)		99.51%	(e)
Average Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds ("Average Requirement") (2021-2034, inclusive)		\$ 1,510,477	
Tax Rate required to pay Average Requirement based upon 2020 Certified Assessed Valuation at 95% collections		\$ 0.23	/ \$100 AV
Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds ("Maximum Requirement") (2021)		\$ 2,120,572	
Tax Rate required to pay Maximum Requirement based upon 2020 Certified Assessed Valuation at 95% collections		\$ 0.32	/ \$100 AV
Number of active connections as of March 1, 2021			
Single Family - Occupied	2,661		
Single Family - Unoccupied	23		
Builder	201		
Multi-Family (1,202 total apartment units/1,082 units occupied)	2		
Commercial	38		
Irrigation	<u>52</u>		
Total Number of Active Connections	2,977		
Estimated Population as of March 1, 2021		10,688	(f)

(a) Assessed valuation of the District as of January 1, 2020 as certified by the Harris County Appraisal District ("HCAD"). See "TAXING PROCEDURES."

(b) Includes the Bonds, excludes the Refunded Bonds.

(c) Unaudited as of March 31, 2021. The District levied a 2020 tax rate of \$0.4680 per \$100 assessed valuation.

(d) Unaudited as of April 21, 2021. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.

(e) See "TAX DATA – Tax Collections."

(f) Based on 3.0 residents per active occupied single-family connection and 2.5 residents per occupied multi-family apartment unit.

OFFICIAL STATEMENT
relating to

\$9,780,000
Harris County Municipal Utility District No. 153
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 153 (the “District”) of its \$9,780,000 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District on April 21, 2021, and a pricing certificate executed by the authorized representative designated in the order (the order and pricing certificate are collectively referred to herein as the “Bond Order”), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas (the “State”) including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, bond elections held within the District on July 16, 1983, and November 7, 2006, and City of Houston Ordinance No. 97-416.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and the Bond Order. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District, c/o Norton Rose Fulbright US LLP, 1301 McKinney, 51st Floor, Houston, Texas 77010, upon payment of duplication costs.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertakings to provide certain information on a continuing basis.

PLAN OF FINANCING

Purpose

At elections held within the District on July 16, 1983, and November 7, 2006, the District’s voters authorized the issuance of an aggregate principal amount of \$70,070,000 of unlimited tax bonds for the construction of the District’s water, sanitary sewer, and drainage system. To date, the District has issued eight installments of bonds to acquire utility facilities in the aggregate principal amount of \$40,805,000, and \$29,265,000 in bonds for water, wastewater, and drainage facilities remains authorized but unissued. The District has submitted a bond application to the TCEQ to issue \$13,330,000 principal amount of unlimited tax bonds, and such bonds are expected to be issued in the second half of 2021. Additionally, at elections held within the District on July 16, 1983, and November 7, 2006, voters of the District authorized the issuance of \$75,535,000 principal amount of unlimited tax bonds for the purpose of refunding the District’s outstanding bonds, and \$72,439,769 principal amount of unlimited tax refunding bonds will remain authorized but unissued after the issuance of the Bonds.

The Bonds are being issued to achieve a debt service savings in the years 2021 through 2034, inclusive, by (i) refunding \$905,000 of the District’s outstanding Unlimited Tax Refunding Bonds, Series 2013 and \$8,835,000 of the District’s outstanding Unlimited Tax Bonds, Series 2014 (collectively, the “Refunded Bonds”); and (ii) using proceeds of the Bonds to pay the cost of issuance of the Bonds. See “Sources and Uses of Funds” herein.

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The Refunded Bonds

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

Year	Series 2013	Series 2014	Total
2022	\$ -	\$ 5,000 ^(a)	\$ 5,000
2023	-	5,000 ^(a)	5,000
2024	215,000	100,000 ^(a)	315,000
2025	215,000	150,000	365,000
2026	240,000	200,000 ^(b)	440,000
2027	235,000	225,000 ^(b)	460,000
2028	-	250,000 ^(b)	250,000
2029	-	300,000	300,000
2030	-	500,000	500,000
2031	-	1,000,000	1,000,000
2032	-	2,000,000	2,000,000
2033	-	2,000,000	2,000,000
2034	-	2,100,000	2,100,000
	<u>\$ 905,000</u>	<u>\$ 8,835,000</u>	<u>\$ 9,740,000</u>
Redemption Date: 7/8/2021 9/1/2021			

(a) Term Bond in total par amount of \$110,000, to mature on September 1, 2024.

(b) Term Bond in total par amount of \$675,000, to mature on September 1, 2028.

The Remaining Outstanding Bonds

The following bonds will remain outstanding after issuance of the Bonds (collectively, the “Remaining Outstanding Bonds”):

Year	Series 2013	Series 2014	Series 2016	The Bonds	Total
2021	\$ 450,000	\$ 5,000	\$ 1,100,000	\$ 70,000	\$ 1,625,000
2022	460,000	-	1,140,000	10,000	1,610,000
2023	220,000	-	1,385,000	10,000	1,615,000
2024	-	-	185,000	320,000	505,000
2025	-	-	190,000	370,000	560,000
2026	-	-	190,000	445,000	635,000
2027	-	-	205,000	470,000	675,000
2028	-	-	480,000	265,000	745,000
2029	-	-	500,000	315,000	815,000
2030	-	-	525,000	510,000	1,035,000
2031	-	-	550,000	1,005,000	1,555,000
2032	-	-	-	1,995,000	1,995,000
2033	-	-	-	1,965,000	1,965,000
2034	-	-	-	2,030,000	2,030,000
	<u>\$ 1,130,000</u>	<u>\$ 5,000</u>	<u>\$ 6,450,000</u>	<u>\$ 9,780,000</u>	<u>\$ 17,365,000</u>

Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates, maturity dates and the respective redemption dates of such Refunded Bonds, as applicable, from funds and direct obligations of the United States of America, to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the District and BOKF, NA, Dallas, Texas (the “Escrow Agent”). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, the District will deposit with the Escrow Agent cash and direct obligations of the United States authorized by Chapter 1207 Texas Government Code in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective maturity dates and redemption dates, as applicable.

The District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturities on the redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the direct obligations of the United States and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the Bond Orders authorizing the issuance of such Refunded Bonds and in accordance with State law, including Chapter 1207, Texas Government Code, as amended. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Public Finance Partners LLC, the Refunded Bonds will be deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Par Amount of Bonds	\$9,780,000.00
Premium	<u>475,897.60</u>
Total Sources of Funds	\$10,255,897.60
Uses of Funds:	
Escrow Fund Deposit	\$9,901,042.99
Costs of Issuance (includes municipal bond insurance premium)	268,092.97
Underwriter’s Discount	84,844.38
Deposit to Bond Fund (Rounding Amount)	<u>1,917.26</u>
Total Uses of Funds	\$10,255,897.60

THE BONDS

General Description

The Bonds will bear interest from the date of delivery, currently anticipated to be June 3, 2021, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2021 and each March 1 and September 1 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar” or “Paying Agent”).

If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. 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., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY– ONLY SYSTEM.”

Redemption

Optional Redemption . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by lot. Optional redemption of Bonds may be conditioned on issuance of refunding bonds or other obligations to pay the Redemption Price.

Notice of Redemption . . . Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each Registered Owner of Bonds to be redeemed. All notices shall state:

1. the redemption date,
2. the redemption price,
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in case of partial redemption within a stated maturity, the respective Bond numbers, and principal amounts) of Bonds to be redeemed,
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bonds the same shall be surrendered in exchange for one or more new Bonds of the same stated maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the redemption date. Optional redemption of the Bonds may be conditioned on the issuance of refunding bonds or other obligations to pay the redemption price.

DTC Redemption Provision

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".

Payment . . . The principal and Redemption Price of the Bonds is payable upon surrender at the designated paying office of the Paying Agent/Registrar (the "Place of Payment"). If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Interest on any Bond which is payable, and which is paid or duly provided for on or within 10 days after, any Interest Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next proceeding such Interest Payment Date. Any interest on any Bond which is payable on, but is not paid or duly provided for on or within 10 days after, any Interest Payment Date (herein referred to as "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid to the Person in whose name such Bond (or one or more respective Predecessor Bonds) is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest. The Regular Record Date for the Bonds for the interest payable on any Interest Payment Date is the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date.

Registration. . . The District shall cause to be kept at the Place of Payment a register (herein referred to as the “*Security Register*”) in which the Paying Agent/Registrar shall provide for the registration of the Bonds and registration of transfers of the Bonds. Upon surrender for transfer of any Bond at the Place of Payment, the District will execute, and the Paying Agent/Registrar will register and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District will execute, and the Paying Agent/Registrar will register and deliver, the Bonds which the Registered Owner of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge may be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning 15 days prior to a Redemption Date hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost, or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner’s ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; City of Houston Ordinance No. 97-416, and Article XVI, Section 59 of the Texas Constitution, and elections held in the District on July 16, 1983 and November 7, 2006.

Source of and Security for Payment

For each year while any Bond is Outstanding and the District remains in existence, the District must assess a continuing direct annual ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, (1) to pay interest on the Bonds as it becomes due, (2) to provide for the payment of the principal of the Bonds when due or the Redemption Price at any earlier required Redemption Date, and (3) to pay the expenses of assessing and collecting such tax.

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

Payment Record

The District has previously issued eight installments of new money bonds and five installments of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued bonds. After the issuance of the Bonds, the District will have \$17,365,000 aggregate amount of bonds outstanding (the “Remaining Outstanding Bonds”). See “FINANCIAL STATEMENT – Outstanding Bonds – Table 6.”

Flow of Funds

To provide for the payment of the principal (and Redemption Price) of, interest on, and Paying Agent fees in respect of the Bonds, the District shall maintain a special account (herein the “Bond Fund”) on its books of account as part of its interest and sinking fund. The District shall credit to the Bond Fund: (i) all receipts of taxes (and penalty and interest thereon) levied to provide for the payment of principal of and interest on (or fees and expenses of the Paying Agent with respect to) the Bonds, (ii) all earnings from the investment of amounts credited to the Bond Fund, and (iii) any other funds of the District deposited to the Bond Fund to pay principal (or redemption price) of or interest on the Bonds.

The Refunded Bonds and the interest due thereon will be paid on the redemption date from funds on deposit with the Escrow Agent and held in a separate Escrow Fund. See “PLAN OF FINANCING – Escrow Agreement.”

Defeasance of Outstanding Bonds

Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the Stated Maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided in the Bond Order) to the Redemption Date shall have been made or shall have been provided for by deposit with the Paying Agent for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent verification firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made for some but not all of the Bonds then Outstanding, the District shall designate the Stated Maturities of Bonds for which such deposit is made. If such deposit shall be sufficient to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular Stated Maturity so designated, the Paying Agent shall select the Outstanding Bonds of such Stated Maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar shall deem fair and appropriate and which may provide for the selection of portions (equal to \$5,000 or any integral multiple thereof) of the principal amount of Bonds of a denomination larger than \$5,000.

“Governmental Obligations” means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody’s Investors Service or Standard & Poor’s Rating Services, or any successor to the bond operations of either of such corporations, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Paying Agent/Registrar

The District reserves the right in the Bond Order to remove the Paying Agent/Registrar without cause. Every successor Paying Agent/Registrar must at all times be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the United States Securities and Exchange Commission. Upon any change in the Paying Agent/Registrar, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner affected by the change, which notice shall also give the address of the new Paying Agent/Registrar, which shall be the designated Place of Payment.

Record Date

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

Issuance of Additional Debt

The District may issue additional bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District’s voters. On July 16, 1983 and November 7, 2006 voters within the District authorized the issuance of unlimited tax bonds in the principal amounts of \$70,070,000 for water, wastewater, and drainage facilities, of which \$29,265,000 in unlimited tax bonds authorized by the District voters remains authorized but unissued. The District has submitted a bond application to the TCEQ to issue \$13,330,000 principal amount of unlimited tax bonds, and such bonds are expected to be issued in the second half of 2021. Additionally, at elections held within the District on July 16, 1983, and November 7, 2006, voters of the District authorized the issuance of \$75,535,000 principal amount of unlimited tax bonds for the purpose of refunding the District’s outstanding bonds, and \$72,439,769 principal amount of unlimited tax refunding bonds will remain authorized but unissued after the issuance of the Bonds. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued – Table 5.”

Effective September 13, 2003, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities (other than swimming pools and golf courses). The District has not called an election to authorize bonds for such purposes, but may consider doing so in the future. The District is also authorized to establish, operate, and maintain a fire department or contract with a fire department for fire protections services. See “THE DISTRICT – General.” Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness which may be issued by the District. Any additional indebtedness secured by ad valorem taxes issued by the District may dilute the security of the Bonds. See “INVESTMENT CONSIDERATIONS.”

Lost, Stolen, Mutilated or Destroyed Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security

or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under the Bond Order, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new Bond issued pursuant to the Bond Order in lieu of any mutilated, destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the District.

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 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.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Remedies in Event of Default

The Bond Order provides that if the District shall default in the payment of the principal of or interest on the Bonds when due or in the observance or performance of any of the covenants, conditions, or obligations set forth in the Order, any Bondholder shall, in addition to all other rights and remedies of such owner of Bonds, be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to make such payment or to observe and perform such covenant, obligation, or condition.

The Bond Order provides no additional remedies to a Bond owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the Bond owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District’s obligations. Consequently, the remedy of mandamus is a remedy, which may have to be enforced from year to year by the Bond owners.

No statutes waive the District’s sovereign immunity from suit for money damages. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District’s public purpose property. If such suit were allowed and a judgement obtained, the Bond owners could not foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds or otherwise satisfy such judgement. In addition, the enforceability of the rights and remedies of the Bond owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Annexation by 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 a City ordinance consenting to the creation of the District. The District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Upon annexation, the City would assume the District’s assets and obligations, including the Bonds, and dissolve the District. The District has no control or knowledge of the annexation plans of the City, therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur.

In 2005, the District entered into a strategic partnership agreement with the City pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the agreement, the City imposes its one percent sales and use taxes (but not its property taxes)

within the area of limited purpose annexation, and remits one-half of the City's sales and use tax receipts collected within the District to the District to be used for any lawful District purpose. In addition, for the 30-year term of the agreement, the City agrees not to annex the District for general purposes, thus delaying for at least 30 years any dissolution of the District and assumption of its assets and liabilities by the City without District consent. The City and the District may amend the strategic partnership agreement at any time. Funds to be received by the City under the agreement are not pledged to the payment of the Bonds.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. The District would be required to obtain the consent of the City before adding any land in the City's extraterritorial jurisdiction or corporate limits. No representation is made concerning the likelihood that the District would effect any further change in its boundaries.

No Arbitrage

The District will certify, as of the date of the Bonds are delivered and sold for, that based upon all facts or estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of the proceeds of the Bonds, and take such other and further actions and follow such procedures as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does the Attorney General pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to Bond Order

The District may, without the consent of or notice to any Bondholder, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Holders of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions of this Section, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

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 DTC while the Bonds are registered in its nominee's 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) 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 (iii) 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.

DTC 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 Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other entity other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. The ultimate security for payment of 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. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District makes no representation that over the life of the Bonds continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See "Registered Owners' Remedies" below.

Infectious Disease Outbreak (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the 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 affect economic growth within Texas.

Since the Disaster Declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property values within the District. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments." The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein is the latest available but is largely of date end for the periods prior to the economic impact of the Pandemic and the measures instituted to control the Pandemic. Accordingly, the data is not indicative of the economic impact of the Pandemic on the District's financial condition. For more information regarding the District's current fund balances, see "FINANCIAL STATEMENTS – Cash and Investment Balances – Table 7" and "– Current Investments – Table 8."

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, foreclosure levels, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers 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 existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, 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.

The Houston area is particularly dependent upon the energy industry, and continued lower oil and gas prices could adversely affect the demand for and values of single-family housing in the Houston area.

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

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in neighborhoods closer to downtown Houston that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of a developer in the sale of developed lots and of homebuilders 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 is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by a developer will be implemented or, if implemented, will be successful.

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Taxable Assessed Valuation of the District is \$716,314,640. After issuance of the Bonds, the Maximum Requirement will be \$2,120,572 (2021) and the Average Requirement will be \$1,510,477 (2021 through 2034, inclusive). Assuming (1) no increase or decrease from the 2020 Certified Taxable Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.32 and \$0.23 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

Remaining Undeveloped Property

There is no commitment from, or obligation of, the Developer to develop the remaining undeveloped land, and there is no restriction on the Developer's right to sell its land. Failure to construct taxable improvements on developed land and failure of the Developer to develop its land may restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and the other principal taxpayers, and the taxpayers generally, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer (or other taxpayer) will be or what effect, if any, such financial conditions may have on the Developer's (or other taxpayers') ability to pay taxes. See "THE DISTRICT –Status of Development" and "TAX DATA - Principal Taxpayers – Table 12."

Future and Proposed Legislation

The Texas Legislature convenes in regular session every two years. The 87th Texas Legislature convened in regular session on January 12, 2021, which will end May 31, 2021, sine die. Thereafter, the Governor may call one or more additional special sessions each of which may last no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature may consider bills that could adversely affect the District and its operation or the administrative agencies that oversee the District.

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.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered Owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, Registered Owners to enforce such remedies. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Recent Extreme Weather Events

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

The greater Houston area, including the District, 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 excessive levels of rainfall during the successive four days. According to the Operator there were no interruptions of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the District’s system did not sustain any material damage from Hurricane Harvey. The District did receive reports that a number of homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

Between February 14 and February 19, 2021, the State of Texas experienced a severe winter storm causing widespread, record breaking cold temperatures throughout the State. As a result of the winter storm, there were widespread disruptions to the operations of Texas electric and gas utilities, which have been widely reported in the press, and approximately four million Texas residents lost power for significant portions of the week. The power outages caused water pipes to burst, resulting in damage to many structures, and in some areas affected the safety of the public water supply for a period of time. The President declared a major disaster in the State, making disaster assistance from the Federal Emergency Management Agency (“FEMA”) available to homeowners and businesses which sustained damage. Based on preliminary assessments, the District did not experience any financial loss related to the storm. While the District continues to assess the overall impact of the storm, the District does not anticipate a material adverse impact on its operations or financial condition as a result of the storm. There are special taxing procedures for areas declared to be disaster area which could affect the amount of taxes due and when they are collected. See “TAXING PROCEDURES—Property Subject to Taxation by the District—*Temporary Exemption for Qualified Property Damaged by a Disaster.*”

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.

Inclement Weather

The District is located approximately 70 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. 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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of 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.

Bond Insurance Risks

The District has qualified for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds, and intends to use a portion of the proceeds of the Bonds to purchase the bond insurance. The risk factors relating to the purchase of bond insurance are identified below.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some become due, any owner of the Bonds shall have a claim under the Bond Insurance Policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by optional redemption, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier time.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer (the “Bond Insurer”) without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 RATINGS" and "BOND INSURANCE" herein.

The obligations of Bond Insurer are contractual obligations and in an event of default by the Bond 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 Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond 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 Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATINGS" and "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information regarding the Bond Insurer.

Registered Owners' Remedies and Bankruptcy Limitations

The enforceability of the rights and remedies of the Registered Owners 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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring, or rearranging the debt service schedule, reducing, or eliminating the interest rate, 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.

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

Marketability

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for 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 more generally bought, sold, or traded in the secondary market.

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 from the gross income of the owners thereof for federal income tax purposes. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulation

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

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

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

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

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

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

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

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

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

certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to 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.

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$29,265,000 authorized but unissued unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$29,265,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. In the opinion of the District’s engineer, the remaining authorization should be sufficient to complete build out of the District assuming future development within the District consists primarily of single-family residential improvements and to support the major maintenance and preservation program for the District’s existing infrastructure. See “THE SYSTEM”. Additionally, the District has submitted a bond application to the TCEQ to issue \$13,330,000 principal amount of unlimited tax bonds, and such bonds are expected to be issued in the second half of 2021.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Forward-Looking Statements

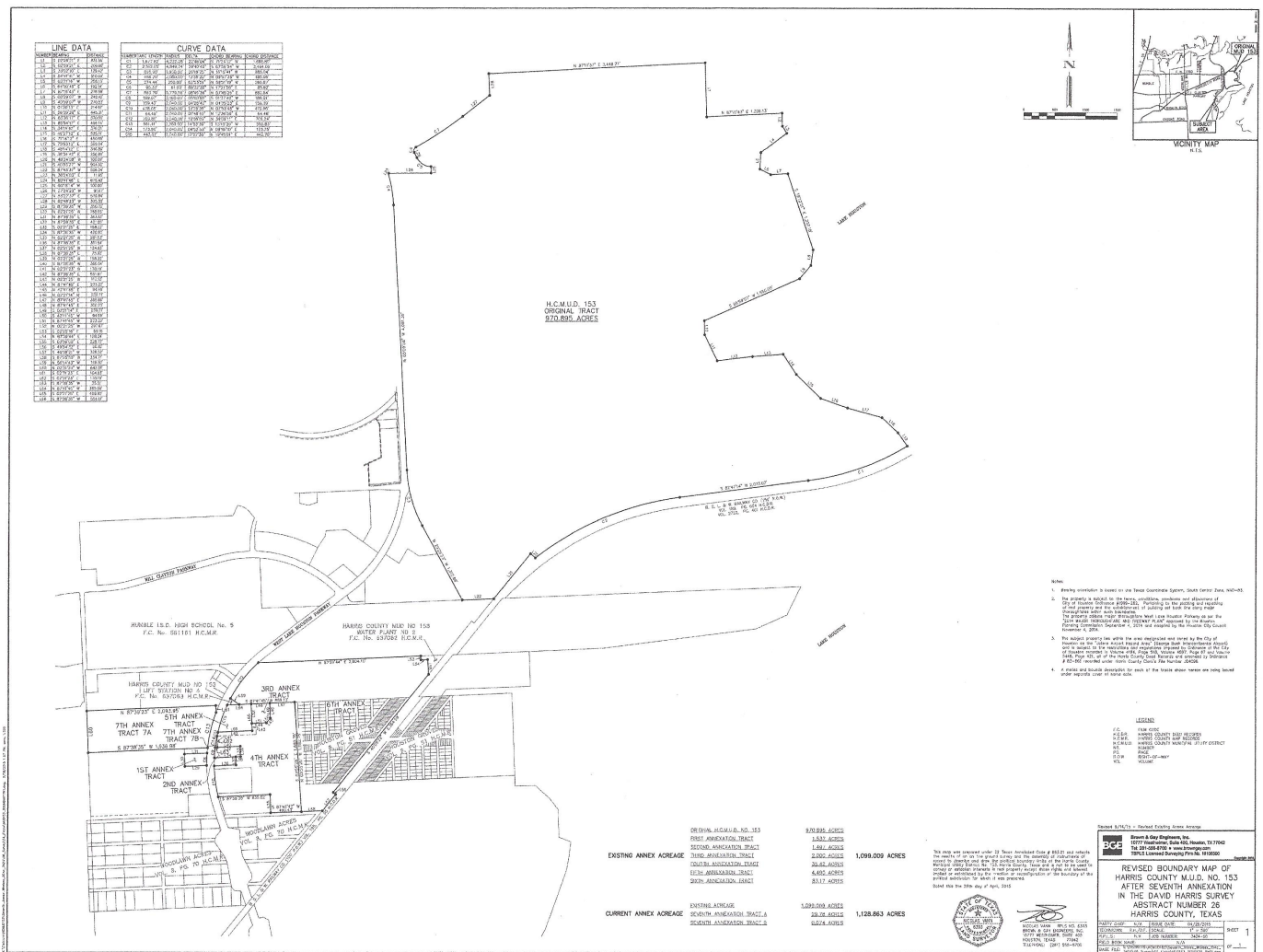
The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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LOCATION MAP



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THE DISTRICT

General

The District was created on September 23, 1977, by the Texas Water Commission, predecessor to the Texas Natural Resource Conservation Commission, a predecessor to the Texas Commission on Environmental Quality (“TCEQ”), and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to municipal utility districts. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and is empowered to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ, and is located within the exclusive extraterritorial jurisdiction of the City of Houston. The District also is located within the boundaries of the Humble Independent School District.

The District as created contained approximately 970.9 acres. Since that time, there have been nine annexations, bringing the total acreage of the District to approximately 1,131.42 acres.

Strategic Partnership Agreement

In 2005, the District entered into a strategic partnership agreement with the City of Houston pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the agreement, the City imposes its one percent sales and use taxes (but not its property taxes) within the area of limited purpose annexation, and remits one-half of the City’s sales and use tax receipts collected within the District to the District to be used for any lawful District purpose. In addition, for the 30-year term of the agreement, the City agrees not to annex the District for general purposes, thus delaying for at least 30 years any dissolution of the District and assumption of its assets and liabilities by the City. The City and the District may amend the strategic partnership agreement at any time. Funds to be received by the City under the agreement are not pledged to the payment of the Bonds.

Management of the District

Board of Directors: The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the second Saturday in May in each even numbered year. All of the directors listed below own property within the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Sam Claytor Jr.	President	2024	15 Years
Rick Soliz	Vice President	2022	14 Years
Ed Cocetti	Secretary	2024	9 Years
Ed Wilcox	Assistant Secretary	2024	6-½ Years
Allen Roe	Assistant Secretary	2022	4-½ Years

Consultants

Tax Assessor/Collector: Land and improvements in the District are being appraised by the Harris County Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests currently serves the District in this capacity under contract. Bob Leared Interests currently serves approximately 151 other utility districts as tax assessor/collector.

Bookkeeper: Municipal Accounts & Consulting, L.P. acts as bookkeeper for the District and currently performs similar services for approximately 325 other special districts.

Operator: The District contracts with Municipal Operations & Consulting, Inc. to operate and maintain the District’s system.

Engineer: The District's consulting engineer is BGE, Inc. (the "Engineer"). Such firm serves as consulting engineer to over 100 other special districts in the Houston metropolitan area.

General Counsel and Bond Counsel: The District has engaged Norton Rose Fulbright US LLP, Houston, Texas, to serve as Bond Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Such firm also acts as General Counsel to the District on matters not related to the issuance of bonds and is compensated based on time charges actually incurred.

Financial Advisor: Public Finance Group LLC serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based upon the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District’s financial statements for the fiscal year ended March 31, 2020 were prepared by McCall, Gibson, Swedlund, Barfoot P.L.L.C., Certified Public Accountants. See “Appendix A” for a copy of the District’s Audited Financial Statements as of March 31, 2020.

Location

The District lies some 20 miles northeast of the central business district of the City of Houston and is situated approximately 7 miles east of the intersection of Farm-to-Market Road 1960 (“FM 1960”) and U.S. Highway 59 (“U.S. 59”). The District is bounded on the North by FM 1960 East, on the West by West Lake Houston Parkway, and on the East by Lake Houston, which is within the city limits of the City of Houston.

Status of Development

Of the approximate 1,131 acres encompassed by the District, approximately 1,052 acres are developable. Development of the District commenced in 1982, and as of March 1, 2021, 97.33% of the developable acreage within the District had been developed with utility facilities. The District is being developed as a mixed-use development, and as of March 1, 2021, development included eleven single family residential subdivisions, four multi-family apartment complexes, country club, office, commercial, retail, medical, schools and churches

Residential Development . . . As of March 1, 2021, approximately 857 acres within the District have been developed with utility facilities to serve eleven single family residential subdivisions including 2,972 developed single family lots, 2,849 completed single family homes (includes multiple homes constructed on multiple lots) and/or under construction and 51 vacant developed single family lots.

Multi-family Development . . . The District contains four apartment complexes, including the Sunrise at Atascocita apartment complex (144 apartment units – 97% occupied); the Sarah at Lake Houston apartment complex (350 units - 91% occupied); the Rosemary apartment complex (384 units - 93% occupied); and the Dryden apartment complex (327 units - 83% occupied).

Office Development . . . Approximately seven acres located at the intersection of FM 1960 and Farmingham Drive have been developed as the Atascocita Office Park (the “Office Park”). As of March 1, 2021, development within the Office Park included five office buildings: Bank of America Building (45,943 square feet); the Atascocita Professional Plaza (the “Plaza”) consisting of three office buildings, (each 15,000 square feet); and the Gulf Systems Building (11,000 square feet). Office development along West Lake Houston Parkway, south of FM 1960, includes four office buildings on approximately 10 acres.

Commercial Development . . . Commercial development within the District as of March 1, 2021 includes a Mini Storage including 400 storage units located on approximately 7.7 acres, X L Parts, Lake Houston Performing Arts Center, Community Bank, a funeral home, and Best Western Hotel.

Retail Development . . . Retail development as of March 1, 2021, was comprised of an 110,000 square foot shopping center which included 8 retail outlets, a 12,000 square foot shopping center which includes three retail outlets, a Mattress Firm, and a Whataburger.

Amenity Development . . . Recreational facilities within the District include the Walden on Lake Houston Country Club including an 18-hole golf course, swimming pool, eight outdoor tennis courts, and a clubhouse. The District also contributed funds to the initial phase of the construction of Walden Park, a 1.3 acre neighborhood park.

Future Development . . . The remaining development expected to occur in the District consists of utilities to be constructed to serve approximately 8.40 acres of vacant commercial tracts and 19.70 acres of vacant residential tracts. The District cannot predict with certainty if any commercial or residential improvements will be constructed in the District. The instigation of any new development will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party’s ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” The District is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion.

The chart on the following page more completely describes the status of development within the District as of March 1, 2021:

(The chart appears on the following page)

Subdivision	Total Acreage ^(a)	Total District Lots	Complete and/or Under Construction	Vacant Developed Lots
Single Family				
Golfers Village	76.47	212	207	(b) -
Olympic Village	166.67	549	505	(c) -
Sportsman's Village	165.71	541	532	(d) -
Marathon Village	83.61	198	195	(e) -
Trophy Village	37.29	143	143	-
Champions Village	129.41	456	448	(f) -
Walden Green	7.19	44	44	-
Sprinters Village	44.85	147	144	(g) -
The Pines at Atascocita - Section Four	44.66	185	185	-
Waterhaven	18.19	95	95	-
Merrylands	83.18	402	351	51
Total Single Family	857.22	2,972	2,849	51
Multi-Family - Apartment Complexes				
Sunrise at Atascocita	6.63	141		
Sarah at Lake Houston	16.32	350		
Rosemary	14.62	384		
Dryden	14.63	327		
Total Multi-Family	52.20	1,202		
Office/Commercial/Retail				
Atascocita Office Park	6.27			
Professional Plaza	7.35			
Best Western Hotel	1.08			
Albertson's Center and Adjacent Retail	11.84			
Atascocita Professional Building	1.35			
Westlake Medical	1.29			
Mattress Firm	0.85			
Kingwood Gymnastics	1.33			
Whataburger	0.95			
Medical Center	3.60			
Community Bank	1.04			
Mini Storage	7.73			
Farmingham Place Office Warehouse	2.82			
Golfers Village Office Building	1.38			
Funeral Home	4.49			
Total Office/Commercial/Retail	53.36			
Other				
Atascocita Middle School	19.25			
Montessori School	1.28			
Maplebrook Elementary School	14.00			
Walden Park	1.32			
Church of Christ	8.00			
Episcopal Church	5.00			
Methodist Church	11.95			
Fire Station	0.52			
Misc. Roadway and Drainage Easements	79.23			
Total Other	140.55			
Remaining Developable Acreage				
Commercial	8.40			
Residential	19.70			
Total Remaining Developable	28.10			
Total District Acreage	1,131.42			

(Footnotes provided on following page)

- (a) Portions of the Walden on Lake Houston Country Club are located in five subdivisions as follows: 14.187 acres in Golfers Village, 40.515 acres in Olympic Village, 43.404 acres in Sportsman's Village, 30.607 acres in Marathon Village and 19.414 acres in Champions Village for a total of 148.127 acres.
- (b) 5 houses on 2 lots each.
- (c) 37 houses on 2 lots each, 2 houses on 3 lots each, 1 house on 4 lots.
- (d) 9 houses on 2 lots each.
- (e) 3 houses on 2 lots each.
- (f) 4 houses on 2 lots each, 2 houses on 3 lots each.
- (g) 1 house on 4 lots.

THE DEVELOPER

General

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. 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 the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of Developer

The developer of approximately 83.17 acres within the District is Merrylands Interest, Ltd., a Texas limited partnership ("Merrylands" or the "Developer"), whose general partner is Camcorp Management, Inc., a Texas corporation doing business as Academy Development. Camcorp Management, Inc. is an affiliate of Legend Classic Homes, Ltd., a Texas limited partnership whose general partner is Legend Homes Corporation, a Texas corporation

The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time.

Utility Construction Agreement

The District has entered into a utility construction agreement with the Developer governing the development of water, wastewater, and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District.

THE SYSTEM

Water, Sanitary Sewer and Drainage System

Proceeds of the District's outstanding bonds, together with certain non-reimbursable developer contributions, were used to provide water distribution, wastewater collection, and storm drainage facilities to serve land within the District. The District's water, sanitary sewer, and drainage system (the "System") was designed to be in conformity with the then current requirements of the City of Houston, Harris County, Harris County Flood Control District, the TCEQ and the Texas Department of Health.

Sources of Water Supply: The District owns and operates two water plants. Water plant 1 consists of a 1,900 gallons-per-minute ("gpm") gravel wall well, a booster pump station including two 750 gpm pumps, one 1,000 gpm pump, and three 2,200 gpm pumps, 840,000 gallons ground storage, three 20,000 gallon pressure tanks and auxiliary power facilities. Water Plant 2 consists of one 2,700 gpm water well, 550,000 gallons ground storage tank, two 20,000 hydropneumatic tanks, one 1,100 gpm and three 2,200 gpm booster pumps, and an emergency generator. Water Plant 1 and 2 are sufficient to serve the District at ultimate build-out, as well as Harris County Municipal Utility District No. 494 ("MUD 494"). In addition, the District has emergency water supply agreements with Harris County Municipal Utility District No. 132 ("MUD 132") and Harris County Municipal Utility District No. 152 ("MUD 152"). According to the Engineer, the District's water supply facilities are sufficient to serve approximately 6,667 equivalent single family connections. In December 2006, the TCEQ approved the District's request for a variance from the elevated storage requirement.

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City 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 the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority’s GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$9.00 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, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District’s surface water conversion requirements, or (iii) will comply with its GRP.

Source of Wastewater Treatment: The District’s wastewater treatment is provided by the Atascocita Central Wastewater Treatment Plant (the “Regional Plant”), which is owned by Harris County Municipal Utility District No. 109 (“MUD 109”) pursuant to the Fourth Amended and Restated Waste Disposal Contract (the “Contract”) among the District, Harris County Municipal Utility District No. 46 (“MUD 46”), Harris County Municipal Utility District No. 106 (“MUD 106”), MUD 109, MUD 132, Harris County Municipal Utility District No. 151 (“MUD 151”), MUD 152 and MUD 494, dated as of December 1, 2012 (the District, MUD 46, MUD 106, MUD 109, MUD 132, MUD 151, MUD 152 and MUD 494 are collectively referred to as the Participants). See “Waste Disposal Contract” below. Pursuant to the Contract, the District has the exclusive right to deliver 1,658,530 gallons per day (“mgd”) of untreated sewage through a wastewater interceptor to the Regional Plant, which according to the Engineer is sufficient to serve 5,250 equivalent single family connections. The Regional Plant currently has a total capacity of 9 mgd.

Waste Disposal Contract

The Participants, including the District, are served by the Regional Plant pursuant to the terms of the Contract. While MUD 109 holds legal title to the Regional Plant, each Participant has the right to deliver a certain amount of untreated sewage to the Regional Plant. The Regional Plant, including the wastewater interceptor, is operated by a joint operating board comprised of one member from each participating district. Charges for maintenance and operation of the Regional Plant are made on a pro rata basis as determined by the Contract.

100-Year Flood Plain

According to the FEMA maps dated June 18, 2007, there are approximately 20 acres within the District, outside of drainage easements, which are located in the 100-year flood plain.

Water and Wastewater Operations

Rate and Fee Schedule - Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service. The rates are subject to change from time to time. The following rates were approved on December 16, 2020.

Monthly Water Service Rates:

Residential	<u>Gallons</u>	<u>Amount</u>
	Minimum 10,000	\$12.00
	10,001 to 20,000	\$1.00 per 1,000 gallons
	20,001 to 30,000	\$1.50 per 1,000 gallons
	30,001 to 40,000	\$2.00 per 1,000 gallons
	40,001 and over	\$3.00 per 1,000 gallons

Commercial	<u>Gallons</u>	<u>Amount</u>
	Minimum 10,000	\$15.00
	10,001 to 20,000	\$1.50 per 1,000 gallons
	20,001 to 30,000	\$2.00 per 1,000 gallons
	30,001 to 40,000	\$2.50 per 1,000 gallons
	40,001 and over	\$3.00 per 1,000 gallons

Multi-Family and Apartments \$2.00 for each unoccupied unit located within the multi-family building or apartment.

\$12.00 minimum for the first 5,000 gallons of water for the occupied unit located within the multi-family building or apartment and an additional charge of \$1.00 per 1,000 gallons of usage above the minimum (5,000 gallons X number of occupied units = minimum).

Monthly Sewer Service Rates:

	<u>Gallons</u>	<u>Amount</u>
Each (single-family) Residential connection		\$35.95
Each Pines of Atascocita Section 4 connection		\$14.00/unit
Each Apartment unit and each multi-family unit		\$12.00/unit
Each Commercial connection	First and minimum 10,000 gallons	\$20.00
	Each additional 1,000 gallons or portion thereof or water used	\$1.50

(The remainder of this page intentionally left blank)

Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Operating revenues are not pledged to payment of the Bonds, and the summary is included for general information only. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. See also "Appendix A – Audited Financial Statements."

	Fiscal Year End					
	3/31/2021 ^(a)	3/31/2020 ^(b)	3/31/2019 ^(b)	3/31/2018 ^(b)	3/31/2017 ^(b)	3/31/2016 ^(b)
REVENUES						
Property Tax	\$ 1,215,200	\$ 971,261	\$ 724,856	\$ 698,650	\$ 581,909	\$ 370,765
Sales Tax Revenue	71,364	68,361	70,688	70,621	57,555	60,598
Water Services	597,936	573,904	538,607	553,439	578,873	549,972
Wastewater and Garbage Service	1,145,297	1,109,874	1,087,219	1,043,209	1,028,364	1,017,566
Groundwater Reduction Fees	358,936	330,392	300,199	307,949	323,406	292,554
Penalties & Interest	20,243	32,161	30,310	30,765	34,105	31,525
Tap Connection and Inspection Fee	467,877	1,137,265	51,960	59,145	52,610	42,615
Sale of Capacity	-	-	154,875	738,749	130,515	156,801
Investment and Miscellaneous Revenue	116,294	156,154	93,693	48,080	58,939	25,157
TOTAL REVENUES	\$ 3,993,147	\$ 4,379,372	\$ 3,052,407	\$ 3,550,607	\$ 2,846,276	\$ 2,547,553
EXPENDITURES						
Audit	\$ 18,000	\$ 17,250	\$ 17,000	\$ 16,600	\$ 16,300	\$ 15,500
Engineering Fees	94,375	54,990	68,762	72,652	49,797	50,014
Legal Fees	66,591	59,455	81,095	60,543	84,633	59,016
Financial Advisor	2,060	2,000	1,830	1,830	1,810	-
Purchased Water and Wastewater	1,134,212	1,109,300	1,007,849	744,344	864,614	828,972
Bookkeeping	41,721	30,518	28,675	26,475	24,444	25,124
Operations and Billing	113,127	99,566	96,317	89,987	96,816	97,782
Solid Waste Disposal	619,191	600,840	575,414	530,952	498,412	482,290
Security	150,549	138,330	-	-	-	-
Utilities	3,803	3,280	3,720	4,407	3,877	1,939
Repairs & Maintenance	621,909	510,969	1,478,899	218,714	326,884	154,844
Director Fees, including payroll taxes	25,997	21,315	19,377	15,825	14,694	12,272
Insurance	6,219	8,658	9,218	8,635	8,450	9,177
Office Supplies and Postage	52,395	53,355	51,012	50,510	52,451	56,238
Travel and Meetings	3,863	9,770	11,749	9,285	7,819	3,727
Donations	14,198	39,485	-	-	28,885	12,314
Other	72,538	48,819	25,089	31,448	38,070	19,661
Tap Connections	232,181	553,025	13,645	33,105	47,235	16,300
Chemicals and Laboratory Fees	14,297	14,727	13,389	4,817	3,694	1,782
Permit Fees	9,144	6,544	-	-	-	-
Inspection and Reconnection Fees	41,672	41,818	26,368	24,416	22,650	18,481
Regulatory Assessment	-	5,419	5,310	5,270	6,623	7,632
Capital Outlay	1,020,416	24,537	29,472	27,305	393,741	261,598
TOTAL EXPENDITURES	\$ 4,358,457	\$ 3,453,970	\$ 3,564,190	\$ 1,977,120	\$ 2,591,899	\$ 2,134,663
NET REVENUES (DEFICIT)	\$ (365,310)	\$ 925,402	\$ (511,783)	\$ 1,573,487	\$ 254,377	\$ 412,890
Beginning Fund Balance	\$ 6,657,303	\$ 4,451,777	\$ 4,963,560	\$ 3,390,073	\$ 3,135,696	\$ 2,722,806
Plus / (Less): Fund Transfer	-	1,280,124	-	-	-	-
Ending Fund Balance	\$ 6,291,993	\$ 6,657,303	\$ 4,451,777	\$ 4,963,560	\$ 3,390,073	\$ 3,135,696

(a) Unaudited.

(b) Audited.

DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3
Harris County Municipal Utility District No. 153
\$9,780,000

Unlimited Tax Refunding Bonds, Series 2021

Dated Date: June 1, 2021

First Interest Payment Due: September 1, 2021

Year Ending 31-Dec	Current	Less	The Bonds					Total
	Debt Service	Refunded	Principal	Interest			Principal	Debt Service
	Requirement	Debt Service	(Due 9/01)	(Due 3/01)	(Due 9/01)	Total	and Interest	Requirements
2021	\$ 2,157,563	\$ 165,706	\$ 70,000	\$ -	\$ 58,716	\$ 58,716	\$ 128,716	\$ 2,120,572
2022	2,171,913	336,413	10,000	119,050	119,050	238,100	248,100	2,083,600
2023	2,117,363	336,263	10,000	118,900	118,900	237,800	247,800	2,028,900
2024	944,113	646,113	320,000	118,750	118,750	237,500	557,500	855,500
2025	981,188	685,588	370,000	113,950	113,950	227,900	597,900	893,500
2026	1,036,188	748,188	445,000	108,400	108,400	216,800	661,800	949,800
2027	1,048,688	753,288	470,000	99,500	99,500	199,000	669,000	964,400
2028	1,089,950	527,750	265,000	90,100	90,100	180,200	445,200	1,007,400
2029	1,132,625	569,625	315,000	84,800	84,800	169,600	484,600	1,047,600
2030	1,327,875	759,875	510,000	80,075	80,075	160,150	670,150	1,238,150
2031	1,815,625	1,243,625	1,005,000	74,975	74,975	149,950	1,154,950	1,726,950
2032	2,211,125	2,211,125	1,995,000	59,900	59,900	119,800	2,114,800	2,114,800
2033	2,146,125	2,146,125	1,965,000	39,950	39,950	79,900	2,044,900	2,044,900
2034	2,176,125	2,176,125	2,030,000	20,300	20,300	40,600	2,070,600	2,070,600
	<u>\$ 22,356,463</u>	<u>\$ 13,305,806</u>	<u>\$ 9,780,000</u>	<u>\$ 1,128,650</u>	<u>\$ 1,187,366</u>	<u>\$ 2,316,016</u>	<u>\$ 12,096,016</u>	<u>\$ 21,146,672</u>

FINANCIAL STATEMENT
(Unaudited)

Assessed Value - Table 4

2020 Certified Assessed Valuation		\$ 716,314,540 ^(a)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 17,365,000 ^(b)
Ratio of Gross Debt to 2020 Certified Assessed Valuation		2.42%
2020 Tax Rate		
	Debt Service	\$ 0.2925
	Maintenance	<u>0.1755</u>
	Total 2020 Tax Rate	<u>\$ 0.4680</u> ^(c)
Debt Service Fund Balance (as of April 21, 2021)		\$ 2,430,499 ^(d)
	Area of District: 1,131.42 acres	
	Estimated Population as of March 1, 2021 – 10,688 ^(e)	

- (a) Assessed valuation of the District as January 1, 2020, as certified by HCAD. See "TAXING PROCEDURES."
(b) Includes the Bonds, excludes the Refunded Bonds.
(c) The District levied a 2020 tax rate of \$0.4680 per \$100 assessed valuation.
(d) Unaudited as of April 21, 2021. Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.
(e) Based on 3.0 residents per active occupied single-family connection and 2.5 residents per occupied apartment unit.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
7/16/1983	Water, Sanitary Sewer & Drainage	\$ 31,900,000	\$ 31,900,000	\$ -
11/7/2006	Water, Sanitary Sewer & Drainage	<u>38,170,000</u>	<u>8,905,000</u>	<u>29,265,000</u> ^(a)
Subtotal		\$ 70,070,000	\$ 40,805,000	\$ 29,265,000
7/16/1983	Refunding ^(b)	\$ 37,365,000	\$ 3,095,231	\$ 34,269,769
11/7/2006	Refunding ^(b)	<u>38,170,000</u>	<u>-</u>	<u>38,170,000</u>
Subtotal		\$ 75,535,000	\$ 3,095,231	\$ 72,439,769
Total		\$ 145,605,000	\$ 43,900,231	\$ 101,704,769

- (a) The District has submitted a bond application to the TCEQ to issue \$13,330,000 principal amount of unlimited tax bonds, and such bonds are expected to be issued in the second half of 2021
(b) The District has the authority to issue refunding bonds which may increase the Outstanding Bonds. Under City of Houston Ordinances, the District may not issue refunding bonds unless there is net present value savings in the District's debt service. The voters of the District authorized the issuance of refunding bonds to refund bonds issued to finance water, wastewater, and drainage facilities in a total aggregate principal amount of \$75,535,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds, the difference is counted against the refunding authorization. After the issuance of the Bonds, \$72,439,769 of voted authorization of refunding bonds to refund bonds issued to finance water, wastewater and drainage facilities remains unissued.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
06/01/1985	Water, Sanitary Sewer & Drainage	1985	\$ 7,900,000	\$ -
09/01/1985	Water, Sanitary Sewer & Drainage	1985A	4,500,000	-
12/01/2001	Water, Sanitary Sewer & Drainage	2001	1,550,000	-
03/01/2003	Water, Sanitary Sewer & Drainage	2003	3,310,000	-
11/01/2004	Water, Sanitary Sewer & Drainage	2004A	7,650,000	-
05/01/2007	Water, Sanitary Sewer & Drainage	2007	3,430,000	-
11/01/2011	Water, Sanitary Sewer & Drainage	2011	3,600,000	-
12/01/2014	Water, Sanitary Sewer & Drainage	2014	8,865,000	5,000 ^(a)
Subtotal			\$ 40,805,000	\$ 5,000
B. Refunding Bonds				
01/01/1997	Refunding	1997	\$ 11,040,000	\$ -
01/01/2004	Refunding	2004	8,220,000	-
09/01/2010	Refunding	2010	13,140,000	-
03/01/2013	Refunding	2013	3,085,000	1,130,000 ^(a)
06/14/2016	Refunding	2016	9,215,000	6,450,000
06/01/2021	Refunding	2021	9,780,000	9,780,000 ^(b)
Subtotal			\$ 54,480,000	\$ 17,360,000
Total			\$ 95,285,000	\$ 17,365,000

(a) Includes the Bonds, excludes the Refunded Bonds.

(b) The Bonds.

Cash and Investment Balances - Table 7 ^(a)

General Fund	\$ 6,487,515
Debt Service Fund	2,430,499 ^(b)
Capital Projects Fund	773,437
Special Reserve Fund	253,305

(a) Unaudited as of April 21, 2021.

(b) Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) 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; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a

branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and

procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, as of April 21, 2021, was invested in Certificate of Deposit and Money Market accounts. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of April 21, 2021	
Cash	\$ 310,479
Money Market	5,554,278
Certificates of Deposit	4,080,000
Total Investments	\$ 9,944,757

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 several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. 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 information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by State law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Harris County	1,672,657,125	3/31/2021	0.140%	\$ 2,341,720
Harris Co Department of Education	20,185,000	3/31/2021	0.140%	28,259
Harris Co Flood Control District	334,270,000	3/31/2021	0.140%	467,978
Harris Co Hospital District	81,540,000	3/31/2021	0.140%	114,156
Harris Co Toll Road ^(a)	-	3/31/2021	0.140%	-
Humble Independent School District	897,120,000	3/31/2021	3.790%	34,000,848
Lone Star College System	518,505,000	3/31/2021	0.320%	1,659,216
Port of Houston Authority	492,439,397	3/31/2021	0.140%	689,415
TOTAL OVERLAPPING DEBT				\$ 39,301,592
The District ^(b)	\$ 17,365,000	6/1/2021	100.00%	17,365,000
TOTAL DIRECT AND OVERLAPPING DEBT				\$ 56,666,592
Ratio of Direct and Overlapping Debt to 2020 Certified Assessed Valuation				7.91%

(a) No outstanding debt due to self-supporting toll road system.

(b) Includes the Bonds; excludes the Refunded Bonds.

Overlapping Taxes for 2020

Overlapping Entity	2020 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Harris County	Harris County
Harris County	\$0.391160	\$ 938
Harris Co Department of Education	0.004993	12
Harris Co Flood Control District	0.031420	75
Harris Co Hospital District	0.166710	400
Humble Independent School District	1.384050	3,320
Lone Star College System	0.107800	259
Port of Houston Authority	0.009910	24
The District	<u>0.468000</u>	<u>1,123</u>
Total	\$2.564043	\$ 6,151

(a) Based upon the 2020 average single-family home value of \$239,896 as provided by HCAD.

TAX DATA

Classification of Assessed Valuation - Table 9^(a)

Type Property	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Land	\$160,226,864	22.37%	\$149,093,098	22.97%	\$141,169,325	22.80%
Improvements	597,462,231	83.41%	541,833,811	83.48%	517,404,022	83.55%
Personal Property	12,215,939	1.71%	14,202,827	2.19%	13,674,619	2.21%
Exemptions	<u>(53,590,494)</u>	<u>-7.48%</u>	<u>(56,063,658)</u>	<u>-8.64%</u>	<u>(52,952,614)</u>	<u>-8.55%</u>
Total	\$716,314,540	100.00%	\$649,066,078	100.00%	\$619,295,352	100.00%

(a) Provided by the District's tax assessor/collector.

Tax Collections - Table 10^(a)

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Tax Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2010	467,796,937	0.4400	2,057,681	2,056,010	99.92%	2,056,010	99.92%	3/31/2011 ^(b)
2011	464,831,888	0.4400	2,044,767	2,043,096	99.92%	2,043,096	99.92%	3/31/2012 ^(b)
2012	457,067,669	0.4600	2,101,901	2,099,302	99.88%	2,099,302	99.88%	3/31/2013 ^(b)
2013	471,923,655	0.4600	2,170,430	2,168,556	99.91%	2,168,556	99.91%	3/31/2014 ^(b)
2014	508,361,251	0.4600	2,338,108	2,334,074	99.83%	2,334,074	99.83%	3/31/2015 ^(b)
2015	556,546,102	0.4510	2,510,023	2,505,655	99.83%	2,505,655	99.83%	3/31/2016 ^(b)
2016	590,188,786	0.4510	2,680,171	2,674,168	99.78%	2,674,168	99.78%	3/31/2017 ^(b)
2017	614,253,951	0.4510	2,779,044	2,770,923	99.71%	2,770,923	99.71%	3/31/2018 ^(b)
2018	619,295,352	0.4510	2,817,870	2,805,505	99.56%	2,805,505	99.56%	3/31/2019 ^(b)
2019	649,058,439	0.4680	3,050,492	3,033,510	99.44%	3,033,510	99.44%	3/31/2020 ^(b)
2020	716,314,540	0.4680	3,352,352	3,247,837	96.88%	3,247,837	96.88%	3/31/2021 ^(c)

(a) As provided by the District's tax assessor/collector.

(b) Audited.

(c) Unaudited. Reflects collections through March 31, 2021. Taxes were due with no penalty by January 31, 2021.

District Tax Rates - Table 11

	Tax Rates per \$100 Assessed Valuaton					
	2020	2019	2018	2017	2016	2015
Debt Service	\$0.2925	\$0.3170	\$0.3330	\$0.3370	\$0.3515	\$0.3835
Maintenance	0.1755	0.1510	0.1180	0.1140	0.0995	0.0675
Total	\$0.4680	\$0.4680	\$0.4510	\$0.4510	\$0.4510	\$0.4510

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The District has statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing, and operating the District's facilities and for paying for administrative expenses of the District, if such maintenance tax is authorized by the Districts' voters. An election for such tax was held on May 13, 2006, at which time a maintenance tax not to exceed \$1.50 per \$100 assessed valuation was approved by the District's voters. The District levied a 2020 maintenance tax of \$0.1755.

Additional Penalties

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

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2020, 2019 and 2018 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2020	2019	2018
BFD Associates LLC	Land and Improvements	\$ 16,387,875	(a)	(a)
HMP West Lake Houston LP	Land and Improvements	12,547,619	(a)	(a)
Sunrise Partners LLP	Land and Improvements	9,747,349	8,650,000	8,447,055
Wells Stone Development LLC	Land and Improvements	7,295,028	7,469,525	7,101,000
Grace Business Enterprise	Land and Improvements	6,557,318	6,024,441	5,961,520
Sovran Acquisition LP	Land and Improvements	6,107,284	4,942,508	4,800,000
GCP Lake Houston Apartments	Land and Improvements	5,193,008	(a)	(a)
Walden Golf LL	Land and Improvements	5,053,684	4,797,916	4,801,164
Rosewood Holding Company	Land and Improvements	4,431,359	4,280,628	4,090,955
18700 WHLP LP	Land and Improvements	4,087,633	3,538,077	3,228,804
7702 FM 1960 LTD	Land and Improvements	(a)	3,450,000	3,800,000
WLHPMB One LLC	Land and Improvements	(a)	3,427,927	3,086,734
Brookfield Mountainview	Land and Improvements	(a)	3,175,261	2,883,657
Total		<u>\$ 77,408,157</u>	<u>\$ 49,756,283</u>	<u>\$ 48,200,889</u>
Percent of Assessed Valuation		10.81%	7.67%	7.78%

(a) Not a principal taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2020 Certified Assessed Valuation, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available Bond Funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Requirement on the Bonds and the Remaining Outstanding Bonds (2021 through 2034)	\$1,510,477
\$0.23 Tax Rate on 2020 Certified Assessed Valuation of \$716,314,540 @ 95% collections produces	\$1,565,147
Maximum Requirement on the Bonds and the Remaining Outstanding Bonds (2021)	\$2,120,572
\$0.32 Tax Rate on 2020 Certified Assessed Valuation of \$716,314,540 @ 95% collections produces	\$2,177,596

Bond Fund Management Index

Debt Service Requirements for year ending 12/31/21	\$2,120,572 ^(a)
Unaudited Bond Fund Balance as of 9/16/2020	\$772,122 ^(b)
2020 Debt Service Tax Levy @ 95% collections produces	<u>\$1,990,459^(c)</u>
Total Available for Debt Service	<u>\$2,762,581</u>
Projected Bond Fund Balance as of September 2, 2021	\$642,009

(a) Interest payments on the Bonds begin September 1, 2021.

(b) Unaudited Bond Fund balance as of September 16, 2020. Represents Bond Fund balance after all 2020 debt service requirements have been paid.

(c) The District levied a 2020 debt service tax rate of \$0.2925, collection of which was due with no penalty by January 31, 2021.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, school districts, and conservation and reclamation districts such as the District that participate in the appraisal district and of the county. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Harris County, including the District, are included in the Harris County Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board. The District must use the appraisal roll as approved by the Harris County Appraisal Review Board to establish its tax roll and tax rate. The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. Partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Additionally, a disabled veteran who receives 100% disability compensation due to a service- connected disability and a rating of 100% disabled or of individual employability is entitled to an exemption from taxation of the total appraised value of their residence homestead, effective for the tax years beginning on or after January 1, 2009. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old of \$10,000 of

appraised value. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the Board may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The Board has not granted any residential homestead exemptions from ad valorem taxation.

Freeport Goods Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. A "Goods-in-Transit" exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only is such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has not adopted a freeport exemption or a goods-in-transit exemption.

Temporary Exemption for Qualified Property Damaged by a Disaster: The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City of Houston (after annexation of the District), the Humble Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all, or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the agreement. Effective September 1, 1999, the terms of the tax abatement agreements of the taxing jurisdiction are not required to be identical.

Valuation of Property for Taxation

Generally, all taxable property in the District must be appraised by the Harris County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. In determining market value, either for replacement cost or the market data method of valuation may be used, whichever is appropriate.

Certain land may be appraised at less than market value under the Property Tax Code. A residence homestead is to be appraised solely on the basis of its value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted

income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as “timber land” is appraised using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. Land which qualifies as an aesthetic management zone, critical wildlife management zone, or streamside management zone or is being regenerated for timber production for 10 years after harvest is valued at one-half that amount. In the case of both open space and timber land valuations, if the use of land changes, an additional tax is generally imposed on the land equal to the difference between the taxes imposed on the land for each of the three (3) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land. Also, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased, or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner’s business, upon application of the owner.

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 in the Appraisal District at least one 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

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner’s protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption, or a determination that land qualifies for a special use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Those taxes billed at a later date that become delinquent on or after June 1 will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. See “AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, 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 “Special Taxing Units.” 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 are classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead 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 Special Taxing Unit 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 Texas 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 Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: The qualified voters of these Developing Districts, upon a 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 Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2020 tax year, the Board of Directors has designated the District as a Developed District, but the District cannot give any assurances as to what its classification will be at any future 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 on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" and "- Overlapping Taxes for 2020." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (in the case of a residential homestead or agricultural property, a taxpayer may redeem such property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records, otherwise six (6) months) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "- Tax Collections and Foreclosure Remedies."

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt service in the year following a disaster.

After January 1, 2020, a district may adopt an exemption for a portion of the value of the property damaged by a declared national disaster based on the percentage of damage to the property.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Norton Rose Fulbright US LLP, Houston, Texas ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the

Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS – Tax Exemption." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "Remedies in Event of Default"), "LEGAL MATTERS – Legal Opinions" (as it relates to the opinion of Bond Counsel), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Austin, Texas. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold, and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

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

VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excludable from gross income for federal tax purposes; and (c) compliance with City of Houston Ordinance 97-416.

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

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Bond Counsel, to the effect that, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such accrued interest may be required to be taken into account the amount of the branch profits tax applicable to certain corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of Bonds maturing serially in the years 2021 through 2034, inclusive, (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of

such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for 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 that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has the following agreement for the benefit of the holders 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 certain information to the Municipal Securities Rulemaking Board ("MSRB"). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A 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 March 30. Accordingly, it must provide updated information by September 30 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, 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 material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders 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, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or government authority, or the entry of an order confirming a plan of reorganization arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Order.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The District shall be obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by the Bond Order of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The provisions of the Bond Order are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in the Bond Order, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or thereby undertake to update any information, except as expressly provided in the Bond Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

Under no circumstances shall the District be liable to the holder or beneficial owner of any Bond or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the District, whether negligent or without fault on its part, of any covenant specified in the Bond Order, but every right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance.

No default by the District in observing or performing its obligations under this Article shall constitute a breach of or default under the Bond Order for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in accordance with the Bond Order an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

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

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as financial advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement was compiled and edited by the District's Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DISTRICT" and "THE SYSTEM" – District Engineer; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Harris County Appraisal District; "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM - Water and Wastewater Operations" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3" - Financial Advisor; "THE BONDS" (except "Payment Record", "DTC Redemption Provisions"), "TAXING PROCEDURES," "LEGAL MATTERS" (as it relates to the opinion of Bond Counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings") - Norton Rose Fulbright US LLP

Bond Counsel has reviewed the summaries included herein contained under the captions "THE BONDS" (but not under the heading "Payment Record"), and "CONTINUING DISCLOSURE OF INFORMATION" (but not under the heading "Compliance with Prior Undertakings"), to determine that such summaries correctly describe the Bonds and the Bond Order for the purposes intended, and that matters discussed herein under the headings "THE DISTRICT – General", "FINANCIAL STATEMENT – Investment Authority and Investment Practices of the District", "TAXING PROCEDURES", and "TAX MATTERS," are correct as to matters of law.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Harris County Appraisal District in reliance upon its authority as an expert in the field of appraising and tax assessing. The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Esther Flores of Tax Tech, Inc., in reliance upon her authority in the field of tax assessing and collecting.

Auditor: The District's financial statements for the fiscal year ended March 31, 2020 were prepared by McCall, Gibson, Swedlund, Barfoot P.L.L.C., Certified Public Accountants. See "Appendix A" for a copy of the District's Audited Financial Statements as of March 31, 2020.

Updating the Official Statement during Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Underwriters of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Underwriters a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Underwriters, unless the Underwriters elect to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Underwriters (the "end of the underwriting period" within the meaning of the Rule), unless the Underwriters provide written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Underwriters provide written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Underwriters agree to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts and sources listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Underwriter.

Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$100,000. Prior to selling bonds or having assets over \$100,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 153, as of the date shown on the first page hereof.

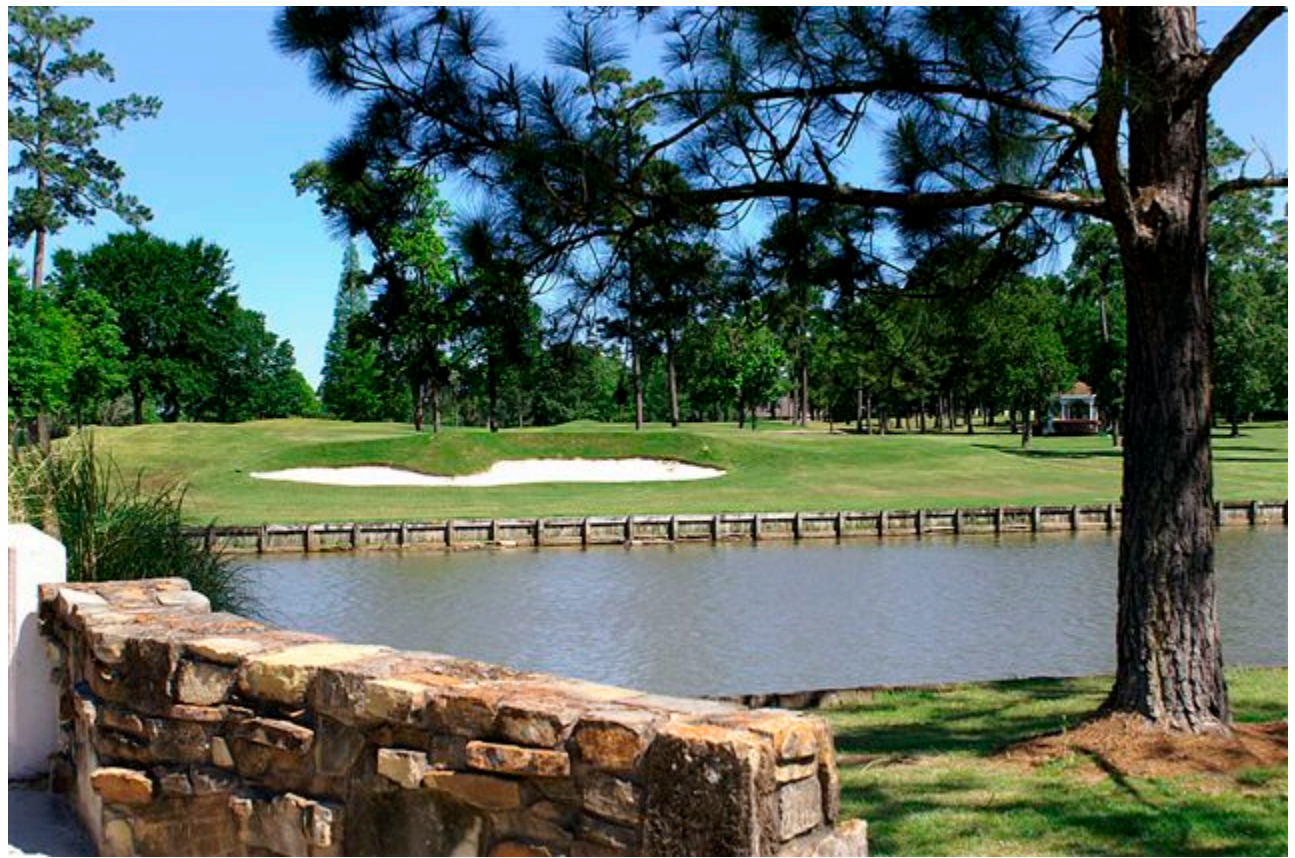
PHOTOGRAPHS

The following photographs were taken in the District. The homes and commercial establishments shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."









APPENDIX A
Audited Financial Statements

The information contained in this appendix has been excerpted from the final audited financial statement of Harris County Municipal Utility District No 153 for the fiscal year ended March 30, 2020. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 153
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. 153 (the "District"), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 15, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2020

Management's discussion and analysis of Harris County Municipal Utility District No. 153's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Fund accounts for the financial activities of the facilities shared with Harris County Municipal Utility District No. 494.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$7,905,388 as of March 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land, capacity interest in joint facilities and the water, wastewater and drainage systems, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 11,252,562	\$ 9,888,859	\$ 1,363,703
Capital Assets (Net of Accumulated Depreciation)	17,102,807	17,858,304	(755,497)
Total Assets	\$ 28,355,369	\$ 27,747,163	\$ 608,206
Deferred Outflows of Resources	\$ 51,585	\$ 58,766	\$ (7,181)
Bonds Payable	\$ 19,472,577	\$ 20,992,936	\$ 1,520,359
Other Liabilities	1,028,989	847,173	(181,816)
Total Liabilities	\$ 20,501,566	\$ 21,840,109	\$ 1,338,543
Net Position:			
Net Investment in Capital Assets	\$ (1,512,575)	\$ (1,074,497)	\$ (438,078)
Restricted	2,697,913	2,729,947	(32,034)
Unrestricted	6,720,050	4,310,370	2,409,680
Total Net Position	\$ 7,905,388	\$ 5,965,820	\$ 1,939,568

The following table provides a summary of the District's operations for the years ended March 31, 2020, and March 31, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,054,965	\$ 2,794,227	\$ 260,738
Charges for Services	3,196,894	2,199,521	997,373
Other Revenues	575,992	387,007	188,985
Total Revenues	\$ 6,827,851	\$ 5,380,755	\$ 1,447,096
Expenses for Services	4,888,283	5,149,507	261,224
Change in Net Position	\$ 1,939,568	\$ 231,248	\$ 1,708,320
Net Position, Beginning of Year	5,965,820	5,734,572	231,248
Net Position, End of Year	\$ 7,905,388	\$ 5,965,820	\$ 1,939,568

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2020, were \$10,078,644, an increase of \$951,362 from the prior year.

The General Fund fund balance increased by \$2,205,526, primarily due to operating and administrative costs exceeding service and tax revenues as well as a transfer from the Capital Projects Fund for meter replacements and water plant No. 1 rehabilitation costs paid by the General Fund in a prior year.

The Debt Service Fund fund balance decreased by \$58,405, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$1,195,759 primarily due to current year capital outlay, transfers to the General Fund and a reimbursement of construction costs received from a developer.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budgets for the current fiscal year for both the General Fund and Special Revenue Fund. Actual revenues were \$1,493,472 higher than budgeted revenues primarily due to higher than anticipated property tax revenues and tap revenues. Actual expenditures were \$203,897 more than budgeted revenues primarily due to significant tap connection costs as well as higher than anticipated purchased services, offset by lower than anticipated repair and maintenance costs. The Special Revenue Fund adopts a budget in which revenues equal expenditures since all costs to operate the facilities are billed to the participants.

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$18,825,000. The changes in the debt position of the District during the fiscal year ended March 31, 2020, are summarized as follows:

Bond Debt Payable, April 1, 2019	\$ 20,285,000
Less: Bond Principal Paid	<u>1,460,000</u>
Bond Debt Payable, March 31, 2020	<u><u>\$ 18,825,000</u></u>

The District's underlying rating is "A1". The Series 2011 bonds carry insured ratings of "A2" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 bonds and Series 2016 Refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect all rating changes of the bond insurers through the year ended March 31, 2020.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020

CAPITAL ASSETS

Capital assets as of March 31, 2020, total \$17,102,807 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems and capacity interest in joint facilities. Capital asset activity during the current fiscal year included construction and engineering costs related to Water Plant No. 1 rehabilitation, Lift Station No. 1 and 3 rehabilitation, and construction and engineering costs for sanitary sewer rehabilitation.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Land and Land Improvements	\$ 409,449	\$ 409,449	\$
Construction in Progress	262,848	791,096	(528,248)
Water System	8,708,325	8,790,863	(82,538)
Wastewater System	5,623,101	5,864,155	(241,054)
Drainage System	906,188	928,211	(22,023)
Capacity in Joint Facilities	<u>1,192,896</u>	<u>1,074,530</u>	<u>118,366</u>
Total Net Capital Assets	<u>\$ 17,102,807</u>	<u>\$ 17,858,304</u>	<u>\$ (755,497)</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 153, c/o Norton Rose Fulbright, 1301 McKinney Avenue, Suite 5100, Houston, TX 77010-3095.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>
ASSETS		
Cash	\$ 229,310	\$ 74,609
Investments	6,698,233	
Receivables:		
Property Taxes	42,752	
Penalty and Interest on Delinquent Taxes		
Service Accounts	158,411	
Accrued Interest	38,295	
Other	20,601	
Due from Other Funds	200,356	52,709
Due from Participants		22,575
Prepaid Costs		
Advance for Joint Wastewater Treatment Facilities	167,516	
Advance for Shared Facilities	61,249	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 7,616,723</u>	<u>\$ 149,893</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 7,616,723</u></u>	<u><u>\$ 149,893</u></u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 110,005	\$ 100	\$ 414,024	\$	\$ 414,024
2,504,366	1,021,720	10,224,319		10,224,319
109,337		152,089		152,089
			25,719	25,719
		158,411		158,411
9,018		47,313		47,313
		20,601		20,601
		253,065	(253,065)	
		22,575		22,575
			19,995	19,995
		167,516		167,516
		61,249	(61,249)	
			409,449	409,449
			262,848	262,848
			<u>16,430,510</u>	<u>16,430,510</u>
<u>\$ 2,732,726</u>	<u>\$ 1,021,820</u>	<u>\$ 11,521,162</u>	<u>\$ 16,834,207</u>	<u>\$ 28,355,369</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 51,585</u>	<u>\$ 51,585</u>
<u>\$ 2,732,726</u>	<u>\$ 1,021,820</u>	<u>\$ 11,521,162</u>	<u>\$ 16,885,792</u>	<u>\$ 28,406,954</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>
LIABILITIES		
Accounts Payable	\$ 559,534	\$ 68,228
Accrued Interest Payable		
Due to Other Funds	52,709	
Security Deposits	304,425	
Shared Facilities Operating Advances		81,665
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 916,668</u>	<u>\$ 149,893</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 42,752</u>	<u>\$ -0-</u>
FUND BALANCES		
Nonspendable - Operating Advances	\$ 228,765	\$
Restricted for Authorized Construction		
Restricted for Debt Service		
Assigned to 2021 budget deficit	1,654,592	
Unassigned	<u>4,773,946</u>	
TOTAL FUND BALANCES	<u>\$ 6,657,303</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,616,723</u>	<u>\$ 149,893</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 3,924	\$ 19,588	\$ 651,274		\$ 651,274
			52,874	52,874
3,734	196,622	253,065	(253,065)	304,425
		304,425		
		81,665	(61,249)	20,416
			1,500,000	1,500,000
			17,972,577	17,972,577
<u>\$ 7,658</u>	<u>\$ 216,210</u>	<u>\$ 1,290,429</u>	<u>\$ 19,211,137</u>	<u>\$ 20,501,566</u>
<u>\$ 109,337</u>	<u>\$ -0-</u>	<u>\$ 152,089</u>	<u>\$ (152,089)</u>	<u>\$ -0-</u>
\$	\$	\$ 228,765	\$ (228,765)	\$
	805,610	805,610	(805,610)	
2,615,731		2,615,731	(2,615,731)	
		1,654,592	(1,654,592)	
		4,773,946	(4,773,946)	
<u>\$ 2,615,731</u>	<u>\$ 805,610</u>	<u>\$ 10,078,644</u>	<u>\$ (10,078,644)</u>	<u>\$ - 0 -</u>
<u>\$ 2,732,726</u>	<u>\$ 1,021,820</u>	<u>\$ 11,521,162</u>		
			\$ (1,512,575)	\$ (1,512,575)
			2,697,913	2,697,913
			6,720,050	6,720,050
			<u>\$ 7,905,388</u>	<u>\$ 7,905,388</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2020

Total Fund Balances - Governmental Funds	\$ 10,078,644
--	---------------

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

Bond insurance premiums paid at closing are amortized over the term of the refunding bonds.	19,995
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	51,585
--	--------

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	17,102,807
--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.	177,808
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (52,874)	
Bonds Payable	<u>(19,472,577)</u>	<u>(19,525,451)</u>
Total Net Position - Governmental Activities		<u><u>\$ 7,905,388</u></u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>
REVENUES		
Property Taxes	\$ 971,261	\$
Sales Tax Revenues	68,361	
Water Service	573,904	527,751
Wastewater Service	538,471	
Groundwater Reduction Fees	330,392	
Garbage Service	571,403	
Penalty and Interest	32,161	
Tap Connection and Inspection Fees	1,137,265	
Investment and Miscellaneous Revenues	156,154	88
TOTAL REVENUES	<u>\$ 4,379,372</u>	<u>\$ 527,839</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 133,695	\$ 6,144
Contracted Services	869,254	38,290
Purchased Wastewater Service	369,552	
Purchased Water/GRP Assessment	739,748	158,782
Utilities	3,280	111,568
Repairs and Maintenance	510,969	147,059
Depreciation		
Other	802,935	46,301
Capital Outlay	24,537	19,695
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,453,970</u>	<u>\$ 527,839</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 925,402</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 1,280,124	\$
Developer Contributions		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 1,280,124</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 2,205,526	\$
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2019	<u>4,451,777</u>	
FUND BALANCES/NET POSITION - MARCH 31, 2020	<u><u>\$ 6,657,303</u></u>	<u><u>\$ -0-</u></u>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 2,056,117	\$	\$ 3,027,378	\$ 27,587	\$ 3,054,965
		68,361		68,361
		1,101,655	(543,720)	557,935
		538,471		538,471
		330,392		330,392
		571,403		571,403
19,074		51,235	10,193	61,428
		1,137,265		1,137,265
46,842	27,382	230,466	277,165	507,631
<u>\$ 2,122,033</u>	<u>\$ 27,382</u>	<u>\$ 7,056,626</u>	<u>\$ (228,775)</u>	<u>\$ 6,827,851</u>
\$ 4,725	\$	\$ 144,564	\$	\$ 144,564
58,389	647	966,580		966,580
		369,552		369,552
		898,530	(735,825)	162,705
		114,848		114,848
		658,028		658,028
			1,019,232	1,019,232
8,186	32	857,454		857,454
	219,503	263,735	(263,735)	
1,460,000		1,460,000	(1,460,000)	
649,138		649,138	(53,818)	595,320
<u>\$ 2,180,438</u>	<u>\$ 220,182</u>	<u>\$ 6,382,429</u>	<u>\$ (1,494,146)</u>	<u>\$ 4,888,283</u>
<u>\$ (58,405)</u>	<u>\$ (192,800)</u>	<u>\$ 674,197</u>	<u>\$ 1,265,371</u>	<u>\$ 1,939,568</u>
\$	\$ (1,280,124)	\$	\$	\$
	277,165	277,165	(277,165)	
<u>\$ -0-</u>	<u>\$ (1,002,959)</u>	<u>\$ 277,165</u>	<u>\$ (277,165)</u>	<u>\$ -0-</u>
\$ (58,405)	\$ (1,195,759)	\$ 951,362	\$ (951,362)	\$
			1,939,568	1,939,568
2,674,136	2,001,369	9,127,282	(3,161,462)	5,965,820
<u>\$ 2,615,731</u>	<u>\$ 805,610</u>	<u>\$ 10,078,644</u>	<u>\$ (2,173,256)</u>	<u>\$ 7,905,388</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$	951,362
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		27,587
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		10,193
---	--	--------

The District recorded an expense in the government-wide financial statements for certain operating costs in which the timing of payment is not yet known.		192,105
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(1,019,232)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		263,735
---	--	---------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		1,460,000
---	--	-----------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		53,818
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Change in Net Position - Governmental Activities	\$	<u>1,939,568</u>
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The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 153 (the “District”) was created effective September 23, 1977 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on November 14, 1977, and the first bonds were sold on May 13, 1985.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District is a participant with several other districts and entities in the Atascocita Central Plant (the “Plant”). Oversight of the Plant is exercised by a Joint Operations Board comprised of one member from each participating district having five or more single family residential connections or the equivalent thereto. Based on the criteria described above, the Plant’s financial activity has not been included in the District’s financial statements.

The District is a participant with Harris County Municipal Utility District No. 494 in certain shared facilities. The participants share in operating, maintenance and certain capital costs. The activities related to the shared facilities are recorded in the Special Revenue Fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

Special Revenue Fund – To account for the financial activities of the facilities shared with Harris County Municipal Utility District No. 494.

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

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

Basis of Accounting

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of March 31, 2020, the Debt Service Fund owed the General Fund \$3,734 for the maintenance tax collections, the General Fund owed the Special Revenue Fund \$52,709 for operating costs, and the Capital Projects Fund owed the General Fund \$196,622 for sanitary sewer rehabilitation costs paid by the General Fund. These interfund liabilities were settled after year end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Water, wastewater and drainage facilities are amortized over periods ranging from 10 to 45 years.

Budgeting

Annual unappropriated budgets are adopted for the General Fund and the Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The original General Fund and Special Revenue Fund budgets were not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund present the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

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

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

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned \$1,654,592 of its General Fund fund balance to cover a projected budget deficit in 2021.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2020:

	April 1, 2019	Additions	Retirements	March 31, 2020
Bonds Payable	\$ 20,285,000	\$	\$ 1,460,000	\$ 18,825,000
Unamortized Discounts	(16,829)		(1,893)	(14,936)
Unamortized Premiums	724,765		62,252	662,513
Bonds Payable, Net	<u>\$ 20,992,936</u>	<u>\$ -0-</u>	<u>\$ 1,520,359</u>	<u>\$ 19,472,577</u>
		Amount Due Within One Year		\$ 1,500,000
		Amount Due After One Year		<u>17,972,577</u>
		Bonds Payable, Net		<u>\$ 19,472,577</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2011	Refunding Series 2013
Amounts Outstanding - March 31, 2020	\$ 5,000	\$ 2,215,000
Interest Rates	3.50%	3.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	September 1, 2020	September 1, 2020/2027
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2016*	September 1, 2019*
	Series 2014	Refunding Series 2016
Amounts Outstanding - March 31, 2020	\$ 8,845,000	\$ 7,760,000
Interest Rates	3.000% - 3.625%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2020/2034	September 1, 2020/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2021*	September 1, 2022*

* At the option of the District as a whole or from time to time in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. The Series 2014 bonds maturing September 1, 2024, and September 1, 2028, are term bonds and are subject to mandatory sinking fund redemption.

As of March 31, 2020, the District has authorized but unissued bonds for water, sewer and drainage purposes in the amount of \$29,265,000 and authorized but unissued refunding bonds in the amount of \$72,479,769. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,500,000	\$ 618,526	\$ 2,118,526
2022	1,555,000	584,738	2,139,738
2023	1,605,000	537,138	2,142,138
2024	1,610,000	475,738	2,085,738
2025	500,000	435,151	935,151
2026-2030	3,380,000	1,846,982	5,226,982
2031-2035	8,675,000	850,442	9,525,442
	<u>\$ 18,825,000</u>	<u>\$ 5,348,715</u>	<u>\$ 24,173,715</u>

During the year ended March 31, 2020, the District levied an ad valorem debt service tax rate of \$0.3170 per \$100 of assessed valuation, which resulted in a tax levy of \$2,061,175 on the adjusted taxable valuation of \$650,212,899 for the 2019 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attached to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

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

The District was required to escrow \$544,035 of the Series 2014 bond proceeds to finance the District's pro rata share of Water Plant No. 1 ground storage tank pending Commission approval and evidence of fund availability for Harris County Municipal District No. 494's share of the costs. The amount was released from escrow (see Note 17).

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$4,014,024 and the bank balance was \$4,053,735. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 229,310	\$ 2,880,000	\$ 3,109,310
SPECIAL REVENUE FUND	74,609		74,609
DEBT SERVICE FUND	110,005	720,000	830,005
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	<u>\$ 414,024</u>	<u>\$ 3,600,000</u>	<u>\$ 4,014,024</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District records its investments in certificates of deposit at acquisition cost. The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 3,818,233	\$ 3,818,233
Certificates of Deposit	2,880,000	2,880,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	1,784,366	1,784,366
Certificates of Deposit	720,000	720,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	1,021,720	1,021,720
TOTAL INVESTMENTS	<u><u>\$10,224,319</u></u>	<u><u>\$10,224,319</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in Texas CLASS was rated AAAM by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by typically investing in certificates of deposit with maturities of less than one year.

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020 is as follows:

	April 1, 2019	Increases	Decreases	March 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 409,449	\$	\$	\$ 409,449
Construction in Progress	791,096	263,735	791,983	262,848
Total Capital Assets Not Being Depreciated	<u>\$ 1,200,545</u>	<u>\$ 263,735</u>	<u>\$ 791,983</u>	<u>\$ 672,297</u>
Capital Assets Subject to Depreciation				
Bridge	\$ 429,053	\$	\$	\$ 429,053
Water System	13,299,858	397,973		13,697,831
Wastewater System	10,262,202			10,262,202
Drainage System	1,167,175			1,167,175
Capacity in Joint Facilities	5,096,066	394,010		5,490,076
Total Capital Assets Subject to Depreciation	<u>\$ 30,254,354</u>	<u>\$ 791,983</u>	<u>\$ - 0 -</u>	<u>\$ 31,046,337</u>
Accumulated Depreciation				
Bridge	\$ 429,053	\$	\$	\$ 429,053
Water System	4,508,995	480,511		4,989,506
Wastewater System	4,398,047	241,054		4,639,101
Drainage System	238,964	22,023		260,987
Capacity in Joint Facilities	4,021,536	275,644		4,297,180
Total Accumulated Depreciation	<u>\$ 13,596,595</u>	<u>\$ 1,019,232</u>	<u>\$ - 0 -</u>	<u>\$ 14,615,827</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,657,759</u>	<u>\$ (227,249)</u>	<u>\$ - 0 -</u>	<u>\$ 16,430,510</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 17,858,304</u></u>	<u><u>\$ 36,486</u></u>	<u><u>\$ 791,983</u></u>	<u><u>\$ 17,102,807</u></u>

The District has financed drainage facilities which have been conveyed to other entities for maintenance. As a result, the District's long-term debt is greater than its net capital assets.

NOTE 7. MAINTENANCE TAX

On July 16, 1983, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation. During the year ended March 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.1510 per \$100 of assessed valuation, which resulted in a tax levy of \$981,822 on the adjusted taxable valuation of \$650,212,899 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 8. INTERIM AND EMERGENCY WATER SUPPLY CONTRACTS

On August 20, 1984, the District executed an emergency water supply agreement with Harris County Municipal Utility District No. 132 (District No. 132). The agreement was for a period of 10 years. During a prior fiscal year, the District and District No. 132 extended the term of the original emergency water supply agreement to March 1, 2014. The Third Amendment extended the term of the agreement to March 1, 2024. On September 20, 2017, the District approved the amended and restated agreement extending the term of the agreement to June 15, 2037. Each district repays the other district in kind for water supplied on an emergency basis, except that should one district use water for greater than five days there is a provision that there be a reimbursement based upon the existing out-of-district water service rates. Each district paid its cost of getting to a point of connection and its proportionate share of operation and maintenance costs.

On February 16, 1982, the District entered into an Interim and Emergency Water Supply contract with Harris County Municipal Utility District No. 152 (District No. 152). The contract was amended on August 8, 1983, October 15, 1985, February 10, 1992 and November 17, 1999, and then amended and restated on September 15, 2004, and December 18, 2013. District No. 152 charges \$1.00 per 1,000 gallons of water plus a pumpage fee for emergency water service. This contract also states District No. 152 will continue to supply water to the District sufficient to serve the Atascocita Middle School at the rates for customers in District No. 152. The term of this agreement is 40 years but may be terminated by either district giving 180 days' notice of termination.

NOTE 9. UTILITY SERVICE CONTRACT - CITY OF HOUSTON

On September 27, 1983, the District authorized the execution of a contract with the City of Houston, Texas. The contract provides for the District to provide water and sewer service to a tract of land located within the City of Houston and adjacent to the District. The District is currently providing service to the residents within the tract.

NOTE 10. WASTE DISPOSAL CONTRACT

Harris County Municipal Utility District Nos. 46, 106, 109, 132, 151, 152 and 153 previously entered into a Waste Disposal Contract to operate and maintain a regional sewage treatment plant to serve surrounding areas. The agreement calls for each district to pay its pro rata share of operating costs of the plant based upon a budget of the estimated costs. The participants in the plant amended the agreement to provide for the establishment of a Joint Operations Board. The Joint Operations Board is responsible for adopting a budget for both Exhibit B and C costs for the fiscal year June 1 through May 31 and setting the rates to be charged based upon the expected operating budgets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 10. WASTE DISPOSAL CONTRACT (Continued)

On December 1, 2012, the participants in the treatment plant executed a Fourth Amended and Restated Waste Disposal Contract whereby certain participants agreed to sell and assign capacity to Harris County Municipal Utility District No. 494 (District No. 494). The term of the agreement ends August 1, 2048. On December 1, 2012, the participants also executed an amended sanitary sewer line contract which provides for the participants to sell capacity in the line to District No. 494.

The following summary financial data on the regional sewage treatment plant is presented for the fiscal year ended May 31, 2019. A copy of the financial statements for the plant can be obtained by contracting Norton Rose Fulbright.

	Joint Venture
Total Assets	\$ 1,235,925
Total Liabilities	<u>230,225</u>
Total Fund Balance	<u>\$ 1,005,700</u>
Total Revenues	\$ 1,946,397
Total Expenditures	<u>1,946,397</u>
Excess Revenues (Expenditures)	<u>\$ -0-</u>
Other Financing Sources (Uses)	
Reserve Adjustment	<u>\$ (13,650)</u>
Net Increase (Decrease) in Fund Balance	\$ (13,650)
Fund Balance, Beginning of Year	<u>1,019,350</u>
Fund Balance, End of Year	<u>\$ 1,005,700</u>

NOTE 11. WASTEWATER PUMP STATION AND FORCE MAIN AGREEMENT

On November 21, 1983, the District executed an amendment to an agreement with District No. 132 and District No. 151. The amended agreement provides for the acquisition and construction of a wastewater pump station and force main to provide for transportation of waste from the land within each districts' boundaries to the Atascocita Central Plant. Construction of these facilities was completed in a prior year. The amended agreement further provides that District No. 132 will operate and maintain the facilities, and each district will pay its pro rata share of the operating and maintenance costs. The term of the agreement is 40 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

**NOTE 12. CITY OF HOUSTON WATER SUPPLY AND GROUNDWATER
REDUCTION PLAN AGREEMENT**

On March 19, 2003, the District executed a City of Houston Water Supply and Groundwater Reduction Plan Agreement for Regulatory Area 3 of the Harris Galveston Subsidence District (the "Agreement"). The Agreement is between the District and the City of Houston, Texas (the "City"). Under the terms of the Agreement the City is responsible for the design, construction and operation of a project to meet compliance criteria of the Harris Galveston Subsidence District (the "Subsidence District"). Deadlines are as follows: January 2005 for commencement of construction of the initial phase; January 2010 deadline to reduce groundwater withdrawals such that the City and participants, including the District, have a group withdrawal from groundwater of no more than 70% of overall demand, and subsequent deadlines in 2020 and 2030 to further reduce and maintain groundwater withdrawals.

The District must begin taking water under the Agreement, if ever, at a date to be decided by the City, or earlier if needed (and agreed to by the City). The City will determine the minimum amount of water to be taken and establish maximum peak rates of flow. The City can specify where the District will connect to the system. The City is responsible for the development of a Ground Reduction Plan (GRP) for itself, the District and all other entities who execute a similar agreement with the City. The GRP will be based upon the project to supply treated water from alternative sources and shall include a plan for co-permitting all groundwater wells owned or controlled by the other participants in accordance with requirements of the Subsidence District. Charges to the District commenced in July 2003.

The GRP Rate is the City's then current ordinance rate for contract treated surface water. As of March 31, 2020, the GRP rate was \$3.15 per thousand gallons. The District pays 30% of this rate. The District adds 10% to this cost for its charge to the customers of the District. The term of the Agreement extends until noon on December 31, 2040, unless sooner terminated pursuant to the terms of the Agreement.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

On March 7, 2005, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The effective date of the agreement is March 31, 2005. Effective December 11, 2019, a First Amendment to the agreement was executed. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex the land within the District (the tract) for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the tract. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The term of this Agreement is 30 years from the effective date of the agreement.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The City imposes a Sales and Use Tax within the boundaries of the Subject Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the tract within 30 days of the City receiving the funds from the State Comptroller's office. Sales tax revenues in the current fiscal year were \$68,361.

NOTE 14. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omission liability and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 15. AGREEMENT FOR CONSTRUCTION, MAINTENANCE, SALE AND LEASE OF WASTEWATER PUMP STATION, FORCE MAIN AND SITE

On March 11, 1983, and as amended on June 14, 2006, the District entered into an agreement with Harris County Municipal Utility District No. 152 to acquire, construct, operate and maintain a wastewater pump station and force main for the transportation of waste from the land within their boundaries to the Atascocita Central Sewage Treatment Plant. Under the terms of the agreement, each district paid its pro-rata share of the construction costs. The District operates and maintains the facilities and each district pays its pro-rata share of operating and maintenance costs. The term of the agreement is 40 years.

NOTE 16. WATER SUPPLY AND SANITARY SEWER AGREEMENT

The District entered into a Water Supply and Sanitary Sewer Agreement with Harris County Municipal District No. 494, effective May 1, 2013. The agreement was amended on March 15, 2017. The term of this agreement is 40 years. Fixed and variable costs are defined in the agreement and are allocated based on the proportionate share schedule attached to the agreement and/or relative usage. The activities of this agreement are accounted for in the District's Special Revenue Fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

**NOTE 17. CHANGE IN PROJECT SCOPE, RELEASE OF ESCROW AND
USE OF SURPLUS FUNDS**

On July 26, 2019, the Commission approved the District's Application for Approval of a Change in Project Scope, the Release of \$544,035 from Escrow, and to Use \$53,471 in Surplus Funds from the District's Series 2014 bonds. The District will reallocate funds originally designated for the Water Plant No. 1 ground storage tank replacement to pay for costs associated with Water Plant No. 1 rehabilitation and sanitary sewer rehabilitation projects. During the year, \$287,056 was transferred from the Capital Projects Fund to the General Fund for Water Plant No. 1 rehabilitation costs paid by the General Fund in a prior year. During the year, the District paid \$216,179 toward the approved \$307,126 in sanitary sewer rehabilitation costs approved in the Order.

On July 22, 2019, the Commission approved the District's request to use \$993,068 in surplus funds from the District's Series 2014 bonds for the installation of electronic residential and commercial water meters. During the current year, \$993,068 was transferred from the Capital Projects Fund to the General Fund for meter replacement costs paid by the General Fund in a prior year.

NOTE 18. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which may have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 717,000	\$ 971,261	\$ 254,261
Sales Tax Revenues	65,000	68,361	3,361
Water Service	536,000	573,904	37,904
Wastewater Service	537,000	538,471	1,471
Groundwater Reduction Fees	314,000	330,392	16,392
Garbage Service	555,000	571,403	16,403
Penalty and Interest	31,000	32,161	1,161
Tap Connection and Inspection Fees	8,500	1,137,265	1,128,765
Investment and Miscellaneous Revenues	122,400	156,154	33,754
TOTAL REVENUES	<u>\$ 2,885,900</u>	<u>\$ 4,379,372</u>	<u>\$ 1,493,472</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 179,900	\$ 133,695	\$ 46,205
Contracted Services	847,630	869,254	(21,624)
Purchased Water/GRP Assessment	349,293	739,748	(390,455)
Purchased Wastewater Service	366,600	369,552	(2,952)
Repairs and Maintenance/Capital Outlay	1,271,600	535,506	736,094
Other	235,050	806,215	(571,165)
TOTAL EXPENDITURES	<u>\$ 3,250,073</u>	<u>\$ 3,453,970</u>	<u>\$ (203,897)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (364,173)</u>	<u>\$ 925,402</u>	<u>\$ 1,289,575</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ 1,269,106</u>	<u>\$ 1,280,124</u>	<u>\$ 11,018</u>
NET CHANGE IN FUND BALANCE	<u>\$ 904,933</u>	<u>\$ 2,205,526</u>	<u>\$ 1,300,593</u>
FUND BALANCE - APRIL 1, 2019	<u>4,451,777</u>	<u>4,451,777</u>	
FUND BALANCE - MARCH 31, 2020	<u><u>\$ 5,356,710</u></u>	<u><u>\$ 6,657,303</u></u>	<u><u>\$ 1,300,593</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	\$ 489,990	\$ 527,751	\$ 37,761
Investment and Miscellaneous Revenues	<u>80</u>	<u>88</u>	<u>8</u>
TOTAL REVENUES	<u>\$ 490,070</u>	<u>\$ 527,839</u>	<u>\$ 37,769</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 6,500	\$ 6,144	\$ 356
Contracted Services	38,000	38,290	(290)
GRP Regulatory Assessment	131,000	158,782	(27,782)
Utilities	109,700	111,568	(1,868)
Repairs and Maintenance	126,200	147,059	(20,859)
Other	48,670	46,301	2,369
Capital Outlay	<u>30,000</u>	<u>19,695</u>	<u>10,305</u>
TOTAL EXPENDITURES	<u>\$ 490,070</u>	<u>\$ 527,839</u>	<u>\$ (37,769)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - APRIL 1, 2019	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MARCH 31, 2020	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>2,496</u>	<u>2,474</u>	x 1.0	<u>2,474</u>
1"	<u>188</u>	<u>188</u>	x 2.5	<u>470</u>
1½"	<u>5</u>	<u>5</u>	x 5.0	<u>25</u>
2"	<u>45</u>	<u>43</u>	x 8.0	<u>344</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>5</u>	<u>5</u>	x 25.0	<u>125</u>
6"			x 50.0	
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u>2,742</u>	<u>2,718</u>		<u>3,613</u>
Total Wastewater Connections	<u>2,694</u>	<u>2,670</u>	x 1.0	<u>2,670</u>

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

Gallons pumped into system:	418,255,000	Water Accountability Ratio: 96% (Gallons billed, sold, and maintenance/Gallons pumped)
Gallons billed to customers:	317,822,000	
Maintenance:	105,000	
Gallons sold:	83,346,000	To: Harris County Municipal Utility District No. 494

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2020

PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	54,990
Legal	59,455
Financial Advisor	2,000
TOTAL PROFESSIONAL FEES	<u>\$ 133,695</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water/GRP Assessment	\$ 517,701
Purchased Wastewater Service	369,552
Shared Facilities Costs	222,047
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,109,300</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 30,518
Operations and Billing	99,566
Solid Waste Disposal	600,840
Security	138,330
TOTAL CONTRACTED SERVICES	<u>\$ 869,254</u>
TOTAL UTILITIES	<u>\$ 3,280</u>
REPAIRS AND MAINTENANCE	<u>\$ 510,969</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 21,315
Insurance	8,658
Office Supplies and Postage	53,355
Travel and Meetings	9,770
Donations	39,485
Other	48,819
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 181,402</u>
CAPITAL OUTLAY	<u>\$ 24,537</u>
TAP CONNECTIONS	<u>\$ 553,025</u>
OTHER EXPENDITURES:	
Chemicals and Laboratory Fees	\$ 14,727
Permit Fees	6,544
Inspection and Reconnection Fees	41,818
Regulatory Assessment	5,419
TOTAL OTHER EXPENDITURES	<u>\$ 68,508</u>
TOTAL EXPENDITURES	<u><u>\$ 3,453,970</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
INVESTMENTS
MARCH 31, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 3,818,233	\$
Certificate of Deposit	XXXX5943	2.75%	05/01/20	240,000	6,039
Certificate of Deposit	XXXX0341	2.75%	06/15/20	240,000	5,226
Certificate of Deposit	XXXX0942	2.10%	08/28/20	240,000	2,996
Certificate of Deposit	XXXX4207	2.60%	05/27/20	240,000	5,266
Certificate of Deposit	XXXX2493	1.90%	02/20/21	240,000	500
Certificate of Deposit	XXXX7446	2.70%	05/30/20	240,000	5,415
Certificate of Deposit	XXXX0059	2.00%	09/12/20	240,000	2,643
Certificate of Deposit	XXXX6732	2.70%	04/02/20	240,000	6,444
Certificate of Deposit	XXXX0097	2.00%	10/15/20	240,000	2,209
Certificate of Deposit	XXXX6090	1.79%	01/28/21	240,000	742
Certificate of Deposit	XXXX9269	1.45%	03/20/21	240,000	105
Certificate of Deposit	XXXX9270	1.80%	01/30/21	240,000	710
TOTAL GENERAL FUND				<u>\$ 6,698,233</u>	<u>\$ 38,295</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 1,784,366	\$
Certificate of Deposit	XXXX2203	2.22%	08/26/20	240,000	3,168
Certificate of Deposit	XXXX0281	2.00%	08/27/20	240,000	2,854
Certificate of Deposit	XXXX5193	2.10%	08/26/20	240,000	2,996
TOTAL DEBT SERVICE FUND				<u>\$ 2,504,366</u>	<u>\$ 9,018</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	<u>\$ 1,021,720</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 10,224,319</u></u>	<u><u>\$ 47,313</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
APRIL 1, 2019	\$	28,914	\$	95,588
Adjustments to Beginning				
Balance		<u>3,277</u>		<u>8,691</u>
	\$	32,191	\$	104,279
Original 2019 Tax Levy	\$	880,859	\$	1,849,221
Adjustment to 2019 Tax Levy		<u>100,963</u>		<u>211,954</u>
		981,822		2,061,175
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,014,013		\$ 2,165,454
TAX COLLECTIONS:				
Prior Years	\$	23,267	\$	65,958
Current Year		<u>947,994</u>		<u>1,990,159</u>
		971,261		2,056,117
TAXES RECEIVABLE -				
MARCH 31, 2020		<u>\$ 42,752</u>		<u>\$ 109,337</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	33,828	\$	71,016
2018		3,454		9,747
2017		2,118		6,261
2016		1,355		4,785
2015		666		3,786
2014		258		3,828
2013		216		1,715
2012		150		2,449
2011		175		1,496
2010		183		1,488
2009 and prior		<u>349</u>		<u>2,766</u>
TOTAL		<u>\$ 42,752</u>		<u>\$ 109,337</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 149,198,061	\$ 141,200,124	\$ 126,802,265	\$ 120,252,477
Improvements	542,612,055	518,414,851	518,479,745	499,774,223
Personal Property	13,405,468	12,396,796	11,178,279	11,704,324
Exemptions	<u>(55,002,685)</u>	<u>(51,523,668)</u>	<u>(41,119,196)</u>	<u>(41,023,520)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 650,212,899</u>	<u>\$ 620,488,103</u>	<u>\$ 615,341,093</u>	<u>\$ 590,707,504</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.3170	\$ 0.3330	\$ 0.3370	\$ 0.3515
Maintenance	<u>0.1510</u>	<u>0.1180</u>	<u>0.1140</u>	<u>0.0995</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.4680</u>	<u>\$ 0.4510</u>	<u>\$ 0.4510</u>	<u>\$ 0.4510</u>
ADJUSTED TAX LEVY*	<u>\$ 3,042,997</u>	<u>\$ 2,798,401</u>	<u>\$ 2,775,188</u>	<u>\$ 2,664,091</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>96.55 %</u>	<u>99.53 %</u>	<u>99.70 %</u>	<u>99.77 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on July 16, 1983.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
PRINCIPAL TAXPAYERS
FOR THE YEAR ENDED MARCH 31, 2020

<u>Top Ten Taxpayers</u>	<u>Assessed Value</u>
1. Sunrise Partners, LLP	\$ 8,650,000
2. Wells Stone Development	7,469,525
3. Grace Business Enterprise	6,024,441
4. Sovran Acquisition LP	4,942,508
5. Walden Golf LLC	4,797,916
6. Rosewood Holding Company	4,280,628
7. 7702 FM 1960 LTD	3,985,000
8. Merrylands Interests Ltd.	3,581,808
9. 18700 WHLP LP	3,538,077
10. WLHPMB ONE LLP	<u>3,427,927</u>
Total Ten Principal Taxpayers	<u><u>\$ 50,697,830</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
ASSESSED VALUE BY CLASSIFICATION
FOR THE YEAR ENDED MARCH 31, 2020

Type of Property	2019 Tax Roll Year	
	Amount	Percentage
Single Family	\$ 554,083,364	85.2%
Multi-Family	8,650,000	1.3%
Commercial	72,046,289	11.1%
Acreage	5,547,730	0.9%
Vacant Lot	9,885,516	1.5%
Total	<u>\$ 650,212,899</u>	<u>100.0%</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 5,000	\$ 88	\$ 5,088
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 5,000</u>	<u>\$ 88</u>	<u>\$ 5,088</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

REFUNDING SERIES - 2013			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 180,000	\$ 69,375	\$ 249,375
2022	450,000	59,925	509,925
2023	460,000	46,275	506,275
2024	220,000	35,525	255,525
2025	215,000	27,913	242,913
2026	215,000	20,387	235,387
2027	240,000	12,425	252,425
2028	235,000	4,113	239,113
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 2,215,000</u>	<u>\$ 275,938</u>	<u>\$ 2,490,938</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 5,000	\$ 299,963	\$ 304,963
2022	5,000	299,813	304,813
2023	5,000	299,663	304,663
2024	5,000	299,513	304,513
2025	100,000	297,938	397,938
2026	150,000	294,000	444,000
2027	200,000	288,312	488,312
2028	225,000	281,406	506,406
2029	250,000	273,688	523,688
2030	300,000	264,751	564,751
2031	500,000	251,751	751,751
2032	1,000,000	227,376	1,227,376
2033	2,000,000	178,626	2,178,626
2034	2,000,000	111,126	2,111,126
2035	2,100,000	38,063	2,138,063
	<u>\$ 8,845,000</u>	<u>\$ 3,705,989</u>	<u>\$ 12,550,989</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

REFUNDING SERIES - 2016			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 1,310,000	\$ 249,100	\$ 1,559,100
2022	1,100,000	225,000	1,325,000
2023	1,140,000	191,200	1,331,200
2024	1,385,000	140,700	1,525,700
2025	185,000	109,300	294,300
2026	190,000	101,800	291,800
2027	190,000	94,200	284,200
2028	205,000	86,300	291,300
2029	480,000	72,600	552,600
2030	500,000	53,000	553,000
2031	525,000	32,500	557,500
2032	550,000	11,000	561,000
2033			
2034			
2035			
	<u>\$ 7,760,000</u>	<u>\$ 1,366,700</u>	<u>\$ 9,126,700</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,500,000	\$ 618,526	\$ 2,118,526
2022	1,555,000	584,738	2,139,738
2023	1,605,000	537,138	2,142,138
2024	1,610,000	475,738	2,085,738
2025	500,000	435,151	935,151
2026	555,000	416,187	971,187
2027	630,000	394,937	1,024,937
2028	665,000	371,819	1,036,819
2029	730,000	346,288	1,076,288
2030	800,000	317,751	1,117,751
2031	1,025,000	284,251	1,309,251
2032	1,550,000	238,376	1,788,376
2033	2,000,000	178,626	2,178,626
2034	2,000,000	111,126	2,111,126
2035	2,100,000	38,063	2,138,063
	<u>\$ 18,825,000</u>	<u>\$ 5,348,715</u>	<u>\$ 24,173,715</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2020

Description	Original Bonds Issued	Bonds Outstanding April 1, 2019
Harris County Municipal Utility District No. 153 Unlimited Tax Bonds - Series 2011	\$ 3,600,000	\$ 10,000
Harris County Municipal Utility District No. 153 Unlimited Tax Refunding Bonds - Series 2013	3,085,000	2,395,000
Harris County Municipal Utility District No. 153 Unlimited Tax Bonds - Series 2014	8,865,000	8,850,000
Harris County Municipal Utility District No. 153 Unlimited Tax Refunding Bonds - Series 2016	<u>9,215,000</u>	<u>9,030,000</u>
TOTAL	<u>\$ 24,765,000</u>	<u>\$ 20,285,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 70,070,000	\$ 75,535,000
Amount Issued	<u>40,805,000</u>	<u>3,055,231</u>
Remaining to be Issued	<u>\$ 29,265,000</u>	<u>\$ 72,479,769</u>
Debt Service Fund cash and investment balances as of March 31, 2020:		<u>\$ 2,614,371</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,611,581</u>

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

See accompanying independent auditor's report.

Current Year Transactions				Paying Agent
Bonds Sold	Retirements		Bonds Outstanding March 31, 2020	
	Principal	Interest		
\$	\$ 5,000	\$ 250	\$ 5,000	The Bank of New York Mellon Trust Company, NA Dallas, Texas
	180,000	73,875	2,215,000	BOKF, NA Austin, Texas
	5,000	300,113	8,845,000	BOKF, NA Austin, Texas
	1,270,000	274,900	7,760,000	BOKF, NA Austin, Texas
\$ - 0 -	\$ 1,460,000	\$ 649,138	\$ 18,825,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 971,261	\$ 724,856	\$ 698,650
Sales Tax Revenues	68,361	70,688	70,621
Water Service	573,904	538,607	553,439
Wastewater Service	538,471	534,673	537,073
Groundwater Reduction Fees	330,392	300,199	307,949
Garbage Service	571,403	552,546	506,136
Penalty and Interest	32,161	30,310	30,765
Tap Connection and Inspection Fees	1,137,265	51,960	59,145
Sale of Capacity		154,875	738,749
Investment and Miscellaneous Revenues	<u>156,154</u>	<u>93,693</u>	<u>48,080</u>
TOTAL REVENUES	<u>\$ 4,379,372</u>	<u>\$ 3,052,407</u>	<u>\$ 3,550,607</u>
EXPENDITURES			
Professional Fees	\$ 133,695	\$ 168,687	\$ 151,625
Contracted Services	869,254	700,406	647,414
Purchased Wastewater Service	369,552	345,452	445,848
Purchased Water/GRP Assessment	739,748	662,397	298,496
Repairs and Maintenance	510,969	1,478,899	218,714
Other	806,215	178,877	187,718
Capital Outlay	<u>24,537</u>	<u>29,472</u>	<u>27,305</u>
TOTAL EXPENDITURES	<u>\$ 3,453,970</u>	<u>\$ 3,564,190</u>	<u>\$ 1,977,120</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 925,402</u>	<u>\$ (511,783)</u>	<u>\$ 1,573,487</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ 1,280,124</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 2,205,526	\$ (511,783)	\$ 1,573,487
BEGINNING FUND BALANCE	<u>4,451,777</u>	<u>4,963,560</u>	<u>3,390,073</u>
ENDING FUND BALANCE	<u>\$ 6,657,303</u>	<u>\$ 4,451,777</u>	<u>\$ 4,963,560</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 581,909	\$ 370,765	22.2 %	23.8 %	19.5 %	20.4 %	14.5 %
57,555	60,598	1.6	2.3	2.0	2.0	2.4
578,873	549,972	13.1	17.6	15.6	20.3	21.6
699,366	1,017,566	12.3	17.5	15.1	24.6	39.9
323,406	292,554	7.5	9.8	8.7	11.4	11.5
328,998		13.0	18.1	14.3	11.6	
34,105	31,525	0.7	1.0	0.9	1.2	1.2
52,610	42,615	26.0	1.7	1.7	1.8	1.7
130,515	156,801		5.1	20.8	4.6	6.2
58,939	25,157	3.6	3.1	1.4	2.1	1.0
<u>\$ 2,846,276</u>	<u>\$ 2,547,553</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 152,540	\$ 124,530	3.1 %	5.5 %	4.3 %	5.4 %	4.8 %
618,672	605,196	19.8	22.9	18.2	21.7	23.8
533,297	527,225	8.4	11.3	12.6	18.7	20.7
331,317	301,747	16.9	21.7	8.4	11.6	11.8
326,884	154,844	11.7	48.5	6.2	11.5	6.1
424,948	159,523	18.4	5.9	5.3	14.9	6.3
204,241	261,598	0.6	1.0	0.8	7.2	10.3
<u>\$ 2,591,899</u>	<u>\$ 2,134,663</u>	<u>78.9 %</u>	<u>116.8 %</u>	<u>55.8 %</u>	<u>91.0 %</u>	<u>83.8 %</u>
<u>\$ 254,377</u>	<u>\$ 412,890</u>	<u>21.1 %</u>	<u>(16.8) %</u>	<u>44.2 %</u>	<u>9.0 %</u>	<u>16.2 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 254,377	\$ 412,890					
<u>3,135,696</u>	<u>2,722,806</u>					
<u>\$ 3,390,073</u>	<u>\$ 3,135,696</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 2,056,117	\$ 2,048,953	\$ 2,078,116
Penalty and Interest	19,074	21,022	20,546
Investment and Miscellaneous Revenues	46,842	33,196	18,207
TOTAL REVENUES	<u>\$ 2,122,033</u>	<u>\$ 2,103,171</u>	<u>\$ 2,116,869</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 69,050	\$ 64,487	\$ 66,821
Debt Service Principal	1,460,000	1,405,000	1,325,000
Debt Service Interest and Fees	651,388	691,883	742,619
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 2,180,438</u>	<u>\$ 2,161,370</u>	<u>\$ 2,134,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (58,405)</u>	<u>\$ (58,199)</u>	<u>\$ (17,571)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-term Debt	\$	\$	\$
Transfer to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (58,405)	\$ (58,199)	\$ (17,571)
BEGINNING FUND BALANCE	<u>2,674,136</u>	<u>2,732,335</u>	<u>2,749,906</u>
ENDING FUND BALANCE	<u>\$ 2,615,731</u>	<u>\$ 2,674,136</u>	<u>\$ 2,732,335</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,718</u>	<u>2,603</u>	<u>2,587</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,670</u>	<u>2,560</u>	<u>2,545</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 2,075,668	\$ 2,131,336	96.9 %	97.4 %	98.1 %	98.1 %	98.9 %
29,695	17,937	0.9	1.0	1.0	1.4	0.8
10,288	7,434	2.2	1.6	0.9	0.5	0.3
<u>\$ 2,115,651</u>	<u>\$ 2,156,707</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 63,459	\$ 59,326	3.3 %	3.1 %	3.2 %	3.0 %	2.8 %
1,350,000	1,390,000	68.8	66.8	62.6	63.8	64.5
708,198	919,545	30.7	32.9	35.1	33.5	42.6
329,980					15.6	
<u>\$ 2,451,637</u>	<u>\$ 2,368,871</u>	<u>102.8 %</u>	<u>102.8 %</u>	<u>100.9 %</u>	<u>115.9 %</u>	<u>109.9 %</u>
\$ (335,986)	\$ (212,164)	(2.8) %	(2.8) %	(0.9) %	(15.9) %	(9.9) %
\$ 9,215,000	\$					
(9,663,171)						
780,901						
<u>\$ 332,730</u>	<u>\$ - 0 -</u>					
\$ (3,256)	\$ (212,164)					
2,753,162	2,965,326					
<u>\$ 2,749,906</u>	<u>\$ 2,753,162</u>					
<u>2,575</u>	<u>2,575</u>					
<u>2,535</u>	<u>2,535</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020

District Mailing Address - Harris County Municipal Utility District No. 153
c/o Norton Rose Fulbright
1301 McKinney Avenue, Suite 5100
Houston, TX 77010-3095

District Telephone Number - (713) 651-3610

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended March 31, 2020	Expense reimbursements for the year ended March 31, 2020	Title
Samuel Claytor	05/2016 – 05/2020 (Elected)	\$ 2,700	\$ 419	President
Rick Soliz	05/2018 – 05/2022 (Elected)	\$ 6,900	\$ 3,316	Vice President
Ed Cocetti	05/2016 – 05/2020 (Elected)	\$ 3,900	\$ 1,024	Secretary
Ed Wilcox	05/2016 – 05/2020 (Elected)	\$ 2,550	\$ 1,114	Assistant Secretary
Allen Roe	05/2018 – 05/2022 (Elected)	\$ 3,750	\$ 1,017	Assistant Secretary

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

Submission date of most recent District Registration Form: May 15, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on May 18, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020

Consultants:	Date Hired	Fees for the year ended March 31, 2020 District	Fees for the year ended March 31, 2020 Special Revenue Fund	Title
Norton Rose Fulbright	11/14/77	\$ 61,435	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot PLLC	03/25/04	\$ 17,250	\$ 3,250	Auditor
Municipal Accounts & Consulting, L.P.	04/26/99	\$ 36,793	\$ 11,757	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1996	\$ 4,165	\$ -0-	Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	08/13/03	\$ 101,690	\$ 4,473	Engineer
Public Finance Group	03/27/14	\$ 2,000	\$ -0-	Financial Advisor
Mark Burton	05/17/06	\$ -0-	\$ -0-	Investment Officer
Municipal Operations and Consulting, Inc.	03/08/09	\$ 1,118,363	\$ 69,159	Operator
Bob Leared, RTA	06/15/82	\$ 37,735	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
Form of Bond Counsel Opinion

[DATE]

Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
United States
Tel +1 713 651 5151
Fax +1 713 651 5246
nortonrosefulbright.com

We have acted as bond counsel in connection with the issuance by Harris County Municipal Utility District No. 153 (the “*Issuer*”) of its Unlimited Tax Refunding Bonds, Series 2021 (the “*Bonds*”), in the aggregate principal amount of \$9,780,000.

In rendering the opinions herein we have examined and relied upon an executed Bond; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the Order of the governing body of the Issuer which authorizes issuance of the Bonds (the “*Order*”); certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Issuer, which are within its sole knowledge and control; a special report of Public Finance Partners LLC; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

Based upon such examination, we are of the opinion, that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.
2. The Bonds are payable from and equally and ratably secured solely by a lien on and pledge of ad valorem taxes levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.
3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the “*Code*”), and existing regulations, published rulings, and court decisions thereunder, assuming continuing compliance with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

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We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or any court; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN