PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2020

This Preliminary Official Statement is subject to completion and amendment. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

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

THE DISTRICT WILL NOT DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.

NEW ISSUE-Book-Entry-Only

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

$5,275,000*
CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located within Chambers County)
UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2020

The $5,275,000* Unlimited Tax Road Refunding Bonds, Series 2020 (the "Bonds") are obligations solely of Chambers County Improvement District No. 1 (the "District") and are not obligations of the State of Texas, Chambers County, the City of Baytown, or any entity other than the District.

Dated Date: June 1, 2020 **Due: September 1, as shown below**

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

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

MATURITY SCHEDULE

Due (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2021	$ 60,000	%	%		2030	$ 305,000 (b)	%	%	
2022	245,000				2031	310,000 (b)			
2023	250,000				2032	320,000 (b)			
2024	260,000				2033	330,000 (b)			
2025	270,000				2034	335,000 (b)			
2026	275,000				2035	345,000 (b)			
2027	280,000 (b)				2036	355,000 (b)			
2028	290,000 (b)				2037	370,000 (b)			
2029	300,000 (b)				2038	375,000 (b)			

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as hereinafter defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of yields when pricing to maturity or to the first call date. Accrued interest from June 1, 2020 is to be added to the price.
(b) Bonds maturing on or after September 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District. Certain other legal matters will be passed upon, on behalf of the Underwriter, by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds through DTC is expected on or about June 9, 2020.

RAYMOND JAMES

*Preliminary; subject to change.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, resolutions, contracts, audits, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas, 77019 upon payment of the costs for duplication thereof.

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 condition of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter of the Bonds, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by Raymond James and Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $____________ (representing the par amount of the Bonds of $_______________, plus/less a net premium/original issue discount on the Bonds of $___________, less an Underwriter's discount of $____________) plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

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

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed 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 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information and financial statements contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used only in conjunction with more complete information contained herein.

INFECTIOUS DISEASE OUTBREAK (COVID-19)

General... The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "Investment Considerations- Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

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

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

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

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

Impact on the District... According to the District's operator, Municipal District Services, LLC (the "Operator") and Landev Engineers, Inc., Kimley-Horn and Associates, Inc. and Jacobs Engineering Group Inc. (collectively referred to herein as the "Engineers"), the District's System sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Developer (as herein defined), no businesses within the District experienced significant flooding or other material damage.

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

THE DISTRICT

Description… The District is a political subdivision of the State of Texas, created in 1993 by special act of the Texas Legislature, Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended (the "Act") and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 14,401 acres of land, all of which is located within the boundaries of the approximate 15,000 acres TGS Cedar Port Industrial Park as described herein. The District has the powers, among others, of municipal management districts, navigation districts, road utility districts, rural rail transportation districts and municipal utility districts created pursuant to Article III, Section 52, and Article XVI, Section 59 of the Texas Constitution. See "THE DISTRICT—General."

Location… The District is located approximately 20 miles east of the central downtown business district of the City of Houston, approximately three miles southeast of the downtown central business district of the City of Baytown and along the northeast shore of Galveston Bay. Access to the District from the City of Houston is provided by Interstate Highway 10 east to SH 99 (Grand Parkway) south. A portion of the District is located within the boundaries of Goose Creek Consolidated Independent School District and the balance of the District is located within the boundaries of Barbers Hill Independent School District. The District is located within the extraterritorial jurisdiction of the City of Baytown. See "THE DISTRICT—Description and Location."

The Developer and Principal Property Owners… The principal developer of land in the District is TGS Cedar Port Partners, L.P. ("TGS Cedar Port" or the "Developer"), a Texas limited partnership whose general partner is TGS Cedar Port GP, LLC, a Texas limited liability company. TGS Cedar Port is an affiliate of Trans-Global Solutions, Inc., a provider of transportation, comprehensive railroad and heavy civil construction services. TGS Cedar Port owns an aggregate of approximately 10,000 acres of land in the District for development of the TGS Cedar Port Industrial Park. According to the Appraisal District (hereinafter defined), such land has a 2019 market value of approximately $175,397,460 and is under an agricultural use exemption resulting in a 2019 taxable value of approximately $24,564,490.

Wal-Mart Stores, Inc. ("Wal-Mart"), a publicly traded company (NYSE: WMT) based in Bentonville Arkansas, has constructed a 4,200,000 square foot distribution facility on approximately 505 acres in the District. Wal-Mart represented $262,737,168 or 20.59% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Borusan Mannesmann Pipe USA ("Borusan Mannesmann"), a wholly-owned subsidiary of Borusan Mannesmann, a Turkish based steel pipe manufacturing company, has constructed a 330,000 square foot manufacturing plant on approximately 133 acres within the District. Borusan Mannesmann Pipe USA represented $137,130,478 or 10.75% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Ravago Americas, LLC and Ravago Manufacturing ("Ravago"), a global manufacturer and distributor of plastics, rubber and chemicals headquartered in Belgium, owns approximately 200 acres in the District where a 750,000 square foot distribution and manufacturing campus has been constructed. Ravago represented $100,640,696 or 7.89% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862. Ravago has entered into an agreement with the District assuring the District that it will maintain a certain level of taxable value or make a compensating payment to the District. To date Ravago has satisfied the taxable value requirement.

IKEA Supply AG ("IKEA"), the Netherlands based global furniture and home goods retailer, is leasing two 500,000 square foot rail served distribution buildings constructed on approximately 80 acres in the District. IKEA represented $74,222,688 or 5.82% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Home Depot Inc. ("Home Depot"), a publicly traded company (NYSE: HD) based in Atlanta, Georgia, has constructed a 750,000 square foot distribution facility on approximately 40 acres in the District. Home Depot represented $69,001,962 or 5.41% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

JSW Steel USA Inc. ("JSW Steel"), an affiliate of India's O.P. Jindall Group, has constructed a 3,000,000 square foot manufacturing facility on approximately 391 acres within the District. JSW Steel USA, Inc. represented $63,481,177 or 4.98% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Piret (4830 Borusan) Holdings and Piret (4762 Borusan) Holdings have constructed two 500,000 square foot rail served distribution buildings on approximately 80 acres within the District. Piret (4830 Borusan) Holdings and Piret (4762 Borusan) Holdings collectively represented $50,000,000 or 3.92% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Ipsco Koppel Tubulars Corp., a seamless and welded steel pipe manufacturer serving the oil and gas industry, has constructed a 242,000 square foot facility on approximately 69 acres within the District. Ipsco Koppel Tubulars Corp. represented $35,039,385 or 2.75% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

See "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers," "—Dependence on Personal Property Tax Collections," "THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS" and "TAX DATA—Principal Taxpayers."

Principal Taxpayers… Based on the 2019 Certified Taxable Assessed Valuation of $1,275,889,862, the ten largest property owners are responsible for payment of approximately 65.56% of the District's 2019 taxes. The principal taxpayer is Wal-Mart Stores Inc. representing $262,737,168 or 20.59% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862. See 'INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers" and "TAX DATA—Principal Taxpayers."

Status of Development… Development in the District consists of the TGS Cedar Port Industrial Park (formerly known as the Cedar Crossing Industrial Park), a master planned rail- and barge-served industrial park. All of the land in the District is within the TGS cedar Port Industrial Park. Existing development in the District consists of a 4,200,000 square foot Walmart distribution facility on approximately 505 acres, a 330,000 square foot Borusan Mannesmann pipe mill on approximately 133 acres, two 500,000 square foot distribution buildings on approximately 80 acres leased by IKEA, a 750,000 square foot Home Depot distribution facility on approximately 40 acres, a 750,000 square foot Ravago distribution and manufacturing campus on approximately 200 acres, a 1,216,890 square foot Exel Logistics distribution facility on approximately 47 acres, a 3,000,000 square foot JSW Steel mill on approximately 391 acres, a 242,000 square foot TMK Ipsco tubular processing facility on approximately 69 acres, a 158,000 square foot Curtis Wright Flow Control/TapcoEnpro manufacturing facility on approximately 123 acres, a liquid carrier/trucking facility owned by West Bay 511 LLC serving the chemical industry on approximately 20 acres and a 312,000 square foot office/warehouse facility on approximately 110 acres. Other businesses in the District include Fisher Road Warehouses, Century Asphalt, American Port Services, U.S. Filter, G.E. Water, DAMCO Distribution Services, SAMSON Controls, DUNA-USA and Slay Industries, which are on an aggregate of approximately 139 acres.

Vinmar International, a Houston-owned petrochemical marketer and distributor, is leasing a 500,000 square foot facility on approximately 40 acres in the District. Vinmar has entered into an agreement with the District assuring the District that it will maintain a certain level of taxable value or make a compensating payment to the District. To date, Vinmar has satisfied the taxable value requirement.

Artis REIT, a commercial real estate investment trust based in Winnipeg, Canada, has constructed a 500,000 square foot rail-served distribution warehouse on approximately 50 acres in the District.

Plastic Bagging and Packing, Inc. has constructed a 500,000 square foot warehouse on approximately 25 acres.

Avera is currently constructing a 650,000 square foot industrial rail-served or cross-dock warehouse on approximately 40 acres with an estimated completion date of the second quarter of 2020. Hunt Southwest owns approximately 56 acres in the District where construction is underway on a 1,000,000 square foot industrial rail-served or cross-dock warehouse scheduled to be completed in the first quarter of 2021. Clay Construction owns approximately 25 acres where construction is underway on a 325,000 square foot industrial rail-served warehouse with completion estimated in the second quarter of 2020. Pro Citrus Network is constructing a 50,000 square foot refrigerated warehouse on approximately 8 acres within the District with an estimated completion date of the second quarter of 2020. Harcros Chemical is constructing a 114,00 square foot chemical blending and manufacturing facility on approximately 14 acres scheduled to be completed in the first quarter of 2021. Locus Construction (NIT Industrial) has begun construction on two 50,000 square foot warehouses on approximately 13 acres estimated to be completed in the fourth quarter of 2020

Additionally, the District has constructed a 600 foot barge dock. The dock is served by a heavy haul road partially funded by the State of Texas. The District manages the dock and collects revenue associated with its operation. The District's Series 2012 Bonds and Series 2016B Bonds are payable from both the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and from net revenues derived from the District's barge dock operations. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—District Operations."

Property in the District has access to both Union Pacific and Burlington Northern Santa Fe railroad networks with approximately ninety miles of operating track currently within the District. To date, the rail lines serve approximately 3,000 acres of developed and undeveloped property.

The District also includes approximately 9,862 developable acres, of which approximately fifteen to twenty percent are served by trunkline water distribution and wastewater collection facilities for future development. There are also approximately 1,926 acres of undevelopable acreage (easements, rights-of-way, floodplain, detention basins and railroads) in the District. See "THE DISTRICT—Land Use and Status of Development."

Payment Record… The District has previously issued a total of $78,160,000 principal amount of unlimited tax bonds in seven series, $16,220,000 principal amount of unlimited tax and revenue bonds in three series, and $26,720,000 principal amount of unlimited tax refunding bonds in four series. The District currently has $76,140,000 principal amount of such bonds outstanding (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of and interest on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Future Debt... The District has filed a bond application to the Texas Commission on Environmental Quality (the "TCEQ") requesting approval to issue unlimited tax bonds in the principal amount of approximately $43,030,000 for water, sewer and drainage facilities. The District expects approval of such application and sale of such bonds in the fourth quarter of 2020.

THE BONDS

Description… Chambers County Improvement District No. 1 $5,275,000* Unlimited Tax Road Refunding Bonds, Series 2020 (the "Bonds") dated June 1, 2020. The Bonds mature serially on September 1 in each of the years from 2021 through 2038, both inclusive, in the respective amounts and bear interest at the rates for each maturity shown on the cover page. Interest on the Bonds accrues from June 1, 2020 and will be payable on March 1 and September 1 of each year commencing on September 1, 2020 (three months' interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Redemption… Bonds maturing on September 1, 2027 and thereafter are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on September 1, 2026 or any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See "THE BONDS—Redemption Provisions."

Book-Entry-Only System… The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds…	Proceeds from the sale of the Bonds, together with certain lawfully available funds of the District, if any, will be used to refund and defease $4,995,000* principal amount of the District's Outstanding Bonds in order to achieve annual and net present value savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium, if any. See "PLAN OF FINANCING—Refunded Bonds" and "—Sources and Uses of Funds."
Authority for Issuance...	The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and the Act. See "THE BONDS—Authority for Issuance."
Source of Payment…	Principal of and interest on the Remaining Outstanding Bonds and the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Baytown, Chambers County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
Municipal Bond Insurance and Municipal Bond Rating…	Moody's Investors Service ("Moody's") has assigned an underlying rating of "A2" to the Bonds. The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
Not Qualified Tax-Exempt Obligations…	The District will **NOT** designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions."
Bond Counsel…	Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas.
Financial Advisor…	Masterson Advisors LLC, Houston, Texas.
Underwriter's Counsel…	McCall Parkhurst & Horton, L.L.P., Houston, Texas.
Escrow Agent…	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
Verification Agent…	Public Finance Partners LLC, Rockford, Minnesota.

INVESTMENT CONSIDERATIONS

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

*Preliminary; subject to change.

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation	$1,275,889,862	(a)
Gross Direct Long-Term Debt Outstanding	$76,420,000*	(b)
Estimated Overlapping Debt	53,117,272	(c)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$129,537,272*	
Ratio of Gross Direct Long-Term Debt to 2019 Certified Taxable Assessed Valuation	5.99%*	
Ratio of Gross Direct Long-Term Debt and Overlapping Debt to 2019 Certified Taxable Assessed Valuation	10.15%*	
Water, Sewer and Drainage Debt Service Funds Available as of April 8, 2020	$9,988,583	(d)
Road Bonds Debt Service Funds Available as of April 8, 2020	1,728,288	(d)(e)
Total Debt Service Funds Available	$11,716,871	(d)
Funds Available for Operation and Maintenance as of April 8, 2020	$ 935,065	
Funds Available for Water, Sewer and Drainage Capital Projects as of April 8, 2020	$2,399,938	
Funds Available for Road Capital Projects as of April 8, 2020	$1,051,809	
Funds Available for Terminal Operating Fund as of April 8, 2020	$6,287,617	
2019 Debt Service Tax Rate	$0.60	(f)
2019 Maintenance Tax Rate	0.06	
2019 Total Tax Rate	$0.66	
Average Annual Debt Service Requirement (2021-2042)	$4,494,107*	(g)
Maximum Annual Debt Service Requirement (2023)	$6,301,905*	(g)
Tax Rate Required to Pay Average Annual Debt Service (2021-2042) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	$0.38*	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2023) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	$0.52*	(h)

(a) As certified by the Chambers County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) After the refunding of the Refunded Bonds and the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
(d) Although all of the District's debt, including the Remaining Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities (the "Water, Sewer and Drainage Bonds"), and a portion will be allocated to bonds sold for road facilities. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage Bonds and the Water, Sewer and Drainage Debt Service Fund is not pledged to the Road Bonds.
(e) Approximately $88,000* will be applied to the Bonds.
(f) Of such $0.60 debt service tax rate, $0.48 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater and storm drainage facilities and $0.12 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for roads and improvements in aid thereof.
(g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(h) See "TAX DATA—Tax Adequacy for Debt Service."

*Preliminary; subject to change.

PRELIMINARY OFFICIAL STATEMENT

$5,275,000*
CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located within Chambers County)

UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Chambers County Improvement District No. 1 (the "District") of its $5,275,000* Unlimited Tax Road Refunding Bonds, Series 2020 (herein defined as the "Bonds").

The Bonds are issued pursuant to Article III Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, special act of the Texas Legislature, Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended (the "Act") and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"). See "THE BONDS—Authority for Issuance."

This OFFICIAL STATEMENT includes descriptions of, among other things, the Bonds and the Bond Order, and certain other information about the District, TGS Cedar Port Partners, L.P., and development activity within the District.. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas, 77019 ("Bond Counsel") upon payment of the costs of duplication thereof.

PLAN OF FINANCING

Purpose

The District currently has $76,140,000 principal amount of its bonds outstanding (the "Outstanding Bonds"). The proceeds of the Bonds, together with legally available funds of the District, if any, will be used to currently refund and defease portions of the Unlimited Tax Road Bonds, Series 2013 totaling $4,995,000* principal amount (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. See "Refunded Bonds" below. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds." A total of $71,145,000* principal amount of the District's Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "Sources and Uses of Funds" herein and "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds."

Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth below:

Maturity Date September 1	Series 2013*
2022	$ 185,000
2023	195,000
2024	205,000
2025	220,000
2026	230,000
2027	240,000
2028	255,000
2029	270,000
2030	285,000
2031	300,000
2032	315,000
2033	335,000
2034	350,000
2035	370,000
2036	390,000
2037	415,000
2038	435,000
	$ 4,995,000

Redemption Date: September 1, 2020

*Preliminary; subject to change.

Escrow Agreement and Defeasance of Refunded Bonds

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

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

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, together with certain lawfully available funds of the District, if any, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$_______
Plus/Less: Net Premium/Original Issue Discount on the Bonds	_______
Plus: Transfer from Debt Service Fund	_______
Total Sources of Funds	$_______
Uses of Funds:	
Deposit to Escrow Fund	$_______
Issuance Expenses and Underwriters' Discount (a)	_______
Total Uses of Funds	$_______

(a) Includes municipal bond insurance premium.

*Preliminary; subject to change.

THE BONDS

Description

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, which authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated and accrue interest from June 1, 2020, with interest payable each March 1 and September 1 (each an "Interest Payment Date"), beginning September 1, 2020 (three months of interest), and mature on the dates and in the amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially 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 owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this OFFICIAL STATEMENT it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this OFFICIAL STATEMENT to registered owners should be read to include the person for which the Participant acquires an interest in the bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Record Date

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

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and be payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a tax sufficient to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of levy and collection, Paying Agent/Registrar and Appraisal District fees. Tax proceeds, after deduction of collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

The Bonds are obligations solely of the District and are not obligations of Chambers County, Texas, the City of Baytown, Texas, the State of Texas or any political subdivision or entity other than the District.

Funds

In the Bond Order, the Road Debt Service Fund is confirmed. The Road Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Remaining Outstanding Road Bonds and any of the District's duly authorized additional bonds issued to finance road construction, together with interest thereon, as such becomes due. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds.

Accrued interest on the Bonds will be deposited into the Debt Service Fund upon receipt.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system, the barge dock and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the wastewater and storm drainage systems and expenses related to the barge dock. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on September 1, 2026, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At elections held within the District on February 7, 2004, May 12, 2012 and May 7, 2016, the voters of the District authorized the issuance of $250,000,000 principal amount of unlimited tax bonds for the purposes set forth in the Act, including the preservation, maintenance, and enhancement of the economic health and vitality of the TGS Cedar Port Industrial Park as a business and industrial center and the refunding of bonds issued for such purposes. The Bonds are issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to Article III Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, the Act, and a Bond Order adopted by the Board. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT. See "LEGAL MATTERS—Legal Opinion."

Issuance of Additional Debt

Voters within the District have authorized the issuance of $250,000,000 principal amount of unlimited tax bonds for the purposes set forth in the Act, including the preservation, maintenance, and enhancement of the economic health and vitality of the TGS Cedar Port Industrial Park as a business and industrial center. After issuance of the Bonds, the District will have $154,295,000* principal amount of unlimited tax bonds authorized but unissued for the purposes authorized by the Act and the refunding of such bonds. Purposes for which the District could issue bonds include the acquisition, construction and maintenance of water, sewer and drainage projects, the acquisition, construction, operation and maintenance of road and related improvements, the acquisition, construction, operation and maintenance of rail transportation projects, and the acquisition, construction, operation and maintenance of wharves, docks, warehouses, grain elevators and other facilities authorized by the Act. The District has also reserved the right to issue revenue bonds payable from the net revenues of the barge terminal or any other projects, special project bonds, inferior lien bonds and other evidences of indebtedness.

*Preliminary; subject to change.

The Act provides that the District may not issue bonds in an amount in excess of the greater of $50,000,000 or ten percent of the assessed valuation of taxable property in the District unless the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") approves the Bonds as to feasibility. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District has authorized preparation of a bond application to the TCEQ requesting approval to issue unlimited tax bonds in the principal amount of approximately $43,030,000 for water, sewer and drainage facilities. The District expects approval of such application and sale of such bonds in the fourth quarter of 2020. See "INVESTMENT CONSIDERATIONS—Future Debt."

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds.

Annexation

The Act provides that a municipality in whose extraterritorial jurisdiction the District is located may annex all or part of the property within District. Such an annexation would not result in a total or partial dissolution of the District or an assumption by the annexing municipality of any of the District's obligations or indebtedness. A municipal annexation of all or part of the property within District has no effect on the validity of the District and the District shall continue to exist and exercise the powers granted by the Act. However, if a municipality were to annex all or part of the property within District, such municipality's ad valorem property tax would apply to property in the District. The addition of such municipality's property tax may serve as a disincentive to the continued ownership, operation or development of property in the District. The District is currently not aware of any attempts by the City of Baytown, Texas (in whose extraterritorial jurisdiction the District is located) or any other municipality to annex any property in the District.

The District is located in the extraterritorial jurisdiction of the City of Baytown, Texas (the "City"). Pursuant to the Texas Local Government Code, the City has created three "industrial districts," one of which includes the property within the District. Pursuant to the Texas Local Government Code, the City has entered into "industrial district agreements" with industrial property owners within the District, including Wal-Mart Stores East LP, Home Depot, Saw Pipes USA, SEAPAC, Ecolochem, Inc., and JSW Streel USA. Under such agreements, the City agreed to not annex the respective industrial properties and the property owners agreed to make a payment in lieu of taxes to the City. The current policy of the City is to enter into such agreements for a term of seven years and to renew such agreements upon expiration if the property owner is willing. Subject to the expiration of existing agreements, the City may change its policy at any time and the District makes no representation as to whether the City will continue its industrial district policy in the future or as to how the City's industrial district policy may change in the future.

Dissolution

This District may be dissolved by majority vote of the Board of Directors or upon petition of landowners holding title to at least seventy-five percent (75%) of the assessed value of property or the surface area in the District, excluding roads, streets, highways and utility rights-of-way; provided, however, if the District is dissolved, the Act provides that the District shall remain in existence solely for the limited purpose of discharging its bonds, including the Bonds, or other obligations according to their terms.

Consolidation

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

Registered Owners' Remedies

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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 (or the Trustee on behalf thereof) 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).

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

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

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

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

THE DISTRICT

General

The District is a political subdivision of the State of Texas located in Chambers County and was created in 1993 by special act of the 73rd Texas Legislature. The District contains approximately 14,401 acres of land, all of which is located within the boundaries of the approximate 15,000 acre TGS Cedar Port Industrial Park. The District has the powers, among others, of municipal management districts, road utility districts, navigation districts, rural rail transportation districts and municipal utility districts created pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution.

The legislation which created the District (Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended) (the "Act") provides a combination of various authorities and powers so that the District can conduct a broad range of functions related to diversification of the economy of the State of Texas, promotion, development and expansion of employment, commerce, economic development and the public welfare, promotion of the control, treatment, storage and distribution of water, protecting, preserving and restoring the sanitary condition of water, promoting the transportation of agricultural, industrial and commercial products, promoting the health, safety and general welfare of property owners, residents, employers and employees in the District, promoting the improvement of rivers, bays, creeks, streams and canals to permit or to aid navigation and commerce, and promoting the construction, maintenance and operations of streets, roads, highways, turnpikes and railroads in the area of the District.

Description and Location

The District consists of approximately 14,401 acres of land located approximately 20 miles east of the central downtown business district of the City of Houston, approximately three miles southeast of the downtown central business district of the City of Baytown and along the northeast shore of Galveston Bay. Access to the District is provided by Interstate Highway 10 east to SH 99 (Grand Parkway) south. A portion of the District is located within the boundaries of Goose Creek Consolidated Independent School District and the balance of the District is located within the boundaries of Barbers Hill Independent School District. The District is located within the extraterritorial jurisdiction of the City of Baytown.

Status of Development [TO BE UPDATED]

Development in the District consists of the TGS Cedar Port Industrial Park (formerly known as the Cedar Crossing Industrial Park), a master planned rail- and barge-served industrial park. All of the land in the District is within the TGS cedar Port Industrial Park. Existing development in the District consists of a 4,200,000 square foot Walmart distribution facility on approximately 505 acres, a 330,000 square foot Borusan Mannesmann pipe mill on approximately 133 acres, two 500,000 square foot distribution buildings on approximately 80 acres leased by IKEA, a 750,000 square foot Home Depot distribution facility on approximately 40 acres, a 750,000 square foot Ravago distribution and manufacturing campus on approximately 200 acres, a 1,216,890 square foot Exel Logistics distribution facility on approximately 47 acres, a 3,000,000 square foot JSW Steel mill on approximately 391 acres, a 242,000 square foot TMK Ipsco tubular processing facility on approximately 69 acres, a 158,000 square foot Curtis Wright Flow Control/TapcoEnpro manufacturing facility on approximately 123 acres, a liquid carrier/trucking facility owned by West Bay 511 LLC serving the chemical industry on approximately 20 acres and a 312,000 square foot office/warehouse facility on approximately 110 acres. Other businesses in the District include Fisher Road Warehouses, Century Asphalt, American Port Services, U.S. Filter, G.E. Water, DAMCO Distribution Services, SAMSON Controls, DUNA-USA and Slay Industries, which are on an aggregate of approximately 139 acres.

Vinmar International, a Houston-owned petrochemical marketer and distributor, is leasing a 500,000 square foot facility on approximately 40 acres in the District. Vinmar has entered into an agreement with the District assuring the District that it will maintain a certain level of taxable value or make a compensating payment to the District. To date, Vinmar has satisfied the taxable value requirement.

Artis REIT, a commercial real estate investment trust based in Winnipeg, Canada, has constructed a 500,000 square foot rail-served distribution warehouse on approximately 50 acres in the District.

Plastic Bagging and Packing, Inc. has constructed a 500,000 square foot warehouse on approximately 25 acres.

Avera is currently constructing a 650,000 square foot industrial rail-served or cross-dock warehouse on approximately 40 acres with an estimated completion date of the second quarter of 2020. Hunt Southwest owns approximately 56 acres in the District where construction is underway on a 1,000,000 square foot industrial rail-served or cross-dock warehouse scheduled to be completed in the first quarter of 2021. Clay Construction owns approximately 25 acres where construction is underway on a 325,000 square foot industrial rail-served warehouse with completion estimated in the second quarter of 2020. Pro Citrus Network is constructing a 50,000 square foot refrigerated warehouse on approximately 8 acres within the District with an estimated completion date of the second quarter of 2020. Harcros Chemical is constructing a 114,000 square foot chemical blending and manufacturing facility on approximately 14 acres scheduled to be completed in the first quarter of 2021. Locus Construction (NIT Industrial) has begun construction on two 50,000 square foot warehouses on approximately 13 acres estimated to be completed in the fourth quarter of 2020.

Additionally, the District has constructed a 600 foot barge dock. The dock is served by a heavy haul road partially funded by the State of Texas. The District manages the dock and collects revenue associated with its operation. The District's Series 2012 Bonds and Series 2016B Bonds are payable from both the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and from net revenues derived from the District's barge dock operations. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—District Operations."

Property in the District has access to both Union Pacific and Burlington Northern Santa Fe railroad networks with approximately ninety miles of operating track currently within the District. To date, the rail lines serve approximately 3,000 acres of developed and undeveloped property.

The District also includes approximately 9,862 developable acres, of which approximately fifteen to twenty percent are served by trunkline water distribution and wastewater collection facilities for future development. There are also approximately 1,926 acres of undevelopable acreage (easements, rights-of-way, floodplain, detention basins and railroads) in the District.

Future Development

The District is currently planned as a primarily industrial/manufacturing/commercial development. Approximately 9,862 developable acres of land currently within the District (including approximately fifteen to twenty percent of such acreage which is served by trunkline water distribution and wastewater collection facilities) are not yet fully served with water distribution and supply, wastewater collection and treatment or storm drainage facilities and road improvements. While the District anticipates future development, there can be no assurances if and when any of such undeveloped land will ultimately be developed or when additional roads will be constructed. The District continues to owe approximately $36,500,000 to the developers in the District for water and sewer facilities. The District anticipates issuing additional bonds to accomplish full development of the District and to pay outstanding amounts owed to developers, including approximately $43,030,000 of unlimited tax bonds which the District anticipates selling in the fourth quarter of 2020. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

Fire Protection

The District entered into an Agreement for Fire Protection Services with the City of Baytown that provides for fire protection service until October 28, 2021. The Baytown Fire Department holds an Insurance Service Office ("ISO") Class 1 rating.

Barge Dock Facilities

The District has constructed a 600 foot barge dock and an adjacent lay down yard and has purchased equipment for the transportation of cargo on the dock including two cranes for the loading and unloading of barges, railcars, and trucks and equipment for the movement of containers. The District has established a policy for use of the barge dock facilities and levies a tariff for use of the facilities.

The District has entered into a Land Lease Agreement Through-Put Agreement with Platinum Stevedoring. The Agreement run for one (1) year and is renewable annually.

The District entered into a Land Lease Agreement with Gulf Stream Marine dated November 1, 2017 for lease on a month-to-month basis of approximately two acres of land on the barge dock pursuant to which Gulf Stream pays the District $4,000 per month in rent.

The District has entered into the Unloading Facilities and Asphalt Pipeline Easement Agreement dated June 28, 2010 with Century Terminals, LLC ("Century") for the construction of an asphalt terminal and the importation of asphalt. The District and Century entered into a related Through Put Agreement to establish rates and tariffs associated with the importation of asphalt and the use of the District's public barge dock and related facilities.

MANAGEMENT OF THE DISTRICT

Directors and Officers

The District is governed by the Board of Directors, consisting of seven (7) directors, which has control over and management supervision of all affairs of the District. Directors are appointed by the Chambers County Commissioners Court and serve four-year staggered terms. A board member must be a landowner, an agent or employee of a landowner, an owner of a beneficial interest in a trust that owns property, a stockholder of a landowner or a resident within the District. The current members and officers of the Board, along with their titles and terms of office, are listed as follows:

Name	District Board Title	Term Expires
Wm. F. Scott	President	May 2021
Daniel J. Orsini	Vice President	May 2021
Craig Cavalier	Secretary	May 2023
Robert D. Leiper	Director	May 2021
Robert S. Jones	Director	May 2021
John W. Klein	Director	May 2023
Matt Fleming	Director	May 2023

Bond Counsel/Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC, Houston, Texas serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a 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 December 31, 2018, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants to audit its financial statements for the fiscal year ended December 31, 2019. See "APPENDIX A" for a copy of the District's December 31, 2018, audited financial statements.

Engineers

The District's Engineer is Barcelona Consulting Services, LLC. The District's consulting engineers for the design and construction of the District's facilities are Landev Engineers, Inc., Kimley-Horn and Associates, Inc. and Jacobs Engineering Group Inc., collectively referred to herein as the "Engineers".

Bookkeeper

The District has contracted with Municipal Business Services, Inc. (the "Bookkeeper") for bookkeeping services.

Tax Appraisal

The Chambers County Appraisal District has the responsibility of appraising taxable property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector

The District's Tax Assessor/Collector is appointed by the Board to collect the District's taxes. The Chambers County Tax Assessor Collector is currently serving in this capacity.

Utility System Operator

Municipal District Services, LLC (the "Operator") has been engaged by the District to operate the District's water supply and distribution and wastewater collection and treatment facilities.

THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS

General

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

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

The Developer

The principal developer of land in the District is TGS Cedar Port Partners, L.P. ("TGS Cedar Port" or the "Developer"), a Texas limited partnership whose general partner is TGS Cedar Port GP, LLC, a Texas limited liability company. TGS Cedar Port is an affiliate of Trans-Global Solutions, Inc., a provider of transportation, comprehensive railroad and heavy civil construction services. TGS Cedar Port owns an aggregate of approximately 10,000 acres of land in the District for development of the TGS Cedar Port Industrial Park. According to the Appraisal District (hereinafter defined), such land has a 2019 market value of approximately $175,397,460 and is under an agricultural use exemption resulting in a 2019 taxable value of approximately $24,564,490.

Principal Property Owners

Wal-Mart Stores, Inc. ("Wal-Mart"), a publicly traded company (NYSE: WMT) based in Bentonville Arkansas, has constructed a 4,200,000 square foot distribution facility on approximately 505 acres in the District. Wal-Mart represented $262,737,168 or 20.59% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Borusan Mannesmann Pipe USA ("Borusan Mannesmann"), a wholly-owned subsidiary of Borusan Mannesmann, a Turkish based steel pipe manufacturing company, has constructed a 330,000 square foot manufacturing plant on approximately 133 acres within the District. Borusan Mannesmann Pipe USA represented $137,130,478 or 10.75% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Ravago Americas, LLC and Ravago Manufacturing ("Ravago"), a global manufacturer and distributor of plastics, rubber and chemicals headquartered in Belgium, owns approximately 200 acres in the District where a 750,000 square foot distribution and manufacturing campus has been constructed. Ravago represented $100,640,696 or 7.89% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862. Ravago has entered into an agreement with the District assuring the District that it will maintain a certain level of taxable value or make a compensating payment to the District. To date Ravago has satisfied the taxable value requirement.

IKEA Supply AG ("IKEA"), the Netherlands based global furniture and home goods retailer, is leasing two 500,000 square foot rail served distribution buildings constructed on approximately 80 acres in the District. IKEA represented $74,222,688 or 5.82% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Home Depot Inc. ("Home Depot"), a publicly traded company (NYSE: HD) based in Atlanta, Georgia, has constructed a 750,000 square foot distribution facility on approximately 40 acres in the District. Home Depot represented $69,001,962 or 5.41% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

JSW Steel USA Inc. ("JSW Steel"), an affiliate of India's O.P. Jindall Group, has constructed a 3,000,000 square foot manufacturing facility on approximately 391 acres within the District. JSW Steel USA, Inc. represented $63,481,177 or 4.98% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Piret (4830 Borusan) Holdings and Piret (4762 Borusan) Holdings have constructed two 500,000 square foot rail served distribution buildings on approximately 80 acres within the District. Piret (4830 Borusan) Holdings and Piret (4762 Borusan) Holdings collectively represented $50,000,000 or 3.92% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

Ipsco Koppel Tubulars Corp., a seamless and welded steel pipe manufacturer serving the oil and gas industry, has constructed a 242,000 square foot facility on approximately 69 acres within the District. Ipsco Koppel Tubulars Corp. represented $35,039,385 or 2.75% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862.

See "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers," "—Dependence on Personal Property Tax Collections."

THE SYSTEM

Regulation

According to the District's Engineer, the District's water, sewer and drainage system and roadways have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Baytown and Chambers County. Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ.

Water Supply

The Baytown Area Water Authority (BAWA) was created in 1973 to serve the Baytown area with a stable and reliable source of treated surface water and to reduce the area's reliance on groundwater. BAWA provides the City of Baytown (the "City") with its entire domestic and commercial supply of water. The water treated by BAWA originates from the Trinity River and is conveyed to BAWA via the Coastal Water Authority (CWA) canal system. BAWA's Trinity River water conveyance system is operated under a contract with the City of Houston.

The City is the largest customer of BAWA and provides the District with potable water pursuant to a Water Supply Agreement, dated May 23, 2007, which requires the City to deliver water to the District through metered interconnect(s) in an amount not to exceed 500,000 gallons per day average daily flow. The District pays the City impact fees established by City ordinance for new development within the District and a monthly service charge equal to the service charge established by City ordinance for an area inside the City's boundary. In April 2007, the District constructed a water re-pressurization station, which is comprised of a 250,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, four 500 gallons per minute booster pumps, associated system controls and water disinfection equipment, yard piping and appurtenant site work. The District owns, operates and maintains the District's water system. According to the District's Engineer, the City's facilities are adequate to provide water supply capacity to all connections in the District plus all connections in the District expected to be developed in the future to complete the development of the District.

The District entered into the Interlocal Agreement for Elevated Storage Tank by and between the District and City of Baytown dated July 26, 2013 ("Tank Agreement") to provide for the cost sharing and construction of a one million gallon elevated storage tank within the boundaries of the District. Pursuant to the Tank Agreement the District was obligated to pay 50% of all costs associated with the design, construction, and acquisition of the elevated storage tank. Construction of the elevated storage tank is complete and the City has assumed sole responsibility for the maintenance, repair, and operation of the elevated storage tank.

Wastewater Treatment Facilities

Wastewater treatment is provided by a 240,000 gallons per day ("gpd") wastewater treatment plant owned and maintained by the District. The plant is capable of serving 960 equivalent single-family connections (ESFCs) based on 300 gpd/ESFCs. As of March 1, 2020, the District was serving approximately 653 ESFCs.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve an aggregate of approximately 1,841 acres of industrial/manufacturing/commercial tracts in the District. Approximately 10,132 acres within the District are planned for future development, of which approximately fifteen to twenty percent are served with trunkline water distribution and wastewater collection facilities. See "INVESTMENT CONSIDERATIONS— Undeveloped Land" and "THE DISTRICT—Land Use and Status of Development."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that improvments built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

Approximately 806 acres within the District is shown to be within the 100-year flood plain according to the FIRM. All future development will be required to be constructed above the established 100-year flood plain elevation in accordance with the rules of Chambers County. Existing developed properties were removed from the 100-year flood plain by either filling the site above the 100-year flood plain elevation and properly mitigating or by constructing the finished floor of the commercial structure above the 100-year flood plain. The District has not independently verified that existing developed properties are above the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

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

District Operations

The Remaining Outstanding Bonds and the Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The District's Series 2012 Bonds and Series 2016B Bonds are further payable from net revenues derived from the District's barge dock operations. See "THE DISTRICT—Land Use and Status of Development" and "—Barge Dock Facilities." Net revenues, if any, derived from the District's water and wastewater system are not pledged to the payment of debt service on the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant net revenues will be available for the payment of debt service on the Bonds. In the event net revenues are insufficient to meet District expenditures, the District may raise additional revenues by increasing its water and sewer rates or by levying a maintenance tax. See "TAX DATA—Maintenance Tax."

The following statement sets forth in condensed from the General Operating Fund as shown on the District's audited financial statements for the fiscal years ending 2015 through 2018, and an unaudited summary prepared by the District's Bookkeeper for the period ending December 31, 2019. Accounting principles customarily employed in the determination of net revenues of utility districts have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for a copy of the District's December 31, 2018 audited financial statements.

	Fiscal Year Ended December 31				
	2019 (a) (unaudited)	2018	2017	2016	2015
Revenues					
Property Taxes	$ 653,455	$ 569,582	$ 550,583	$ 829,809	$ 495,996
Barge Terminal	1,328,198	1,466,143	896,362	968,899	1,180,639
Water Service	1,393,488	1,402,863	1,018,285	833,520	823,209
Wastewater Service	520,080	405,291	308,299	220,683	376,090
Penalty and Interest	59,096	180,792	36,204	197,410	21,388
Tap Connection and Inspection Fees	138,826	177,045	232,771	169,337	-
Miscellaneous	185,467	77,739	55,154	15,682	6,233
Total Revenues	$ 4,278,610	$ 4,279,455	$ 3,097,658	$ 3,235,340	$ 2,903,555
Expenditures					
Professional Fees	$ 419,496	$ 386,783	$ 418,232	$ 483,489	$ 621,739
Contracted Services	900,233	756,317	464,487	289,445	276,774
Purchased Water Services	1,005,406	1,015,027	805,395	665,254	714,453
Utilities	66,807	69,715	54,774	43,306	40,270
Repairs and Maintenance	536,832	444,970	306,718	512,159	331,164
Other	224,512	191,416	234,897	148,913	104,551
Capital Outlay	-	-	-	-	51,000
Total Expenditures	$ 3,153,286	$ 2,864,228	$ 2,284,503	$ 2,142,566	$ 2,139,951
Revenues Over (Under) Expenditures	$ 1,125,324	$ 1,415,227	$ 813,155	$ 1,092,774	$ 763,604
Fund Balance (Beginning of Year)	$ 6,464,809	$ 5,049,582	$ 4,236,427	$ 3,143,653	$ 2,380,049
Fund Balance (End of Year)	$ 7,590,133	$ 6,464,809	$ 5,049,582	$ 4,236,427	$ 3,143,653

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

THE ROADS

Proceeds of previously issued bonds have been used to finance the road system (the "Roads") which serve the property owners of the District by providing collector roads and portions of major thoroughfares within the District and the surrounding area. The road system is comprised of Baytown Area Water Authority Road, Cedar Port Parkway, Phase 1, Dock Lead and Deepwater Expansion. FM 1405 functions as a major thoroughfare by conveying travelers to Texas 99 (Grand Parkway). Upon completion, the Roads continue to be owned, operated and maintained by the District.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	$1,275,889,862	(a)
Gross Direct Long-Term Debt Outstanding	$76,420,000*	(b)
Estimated Overlapping Debt	53,117,272	(c)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$129,537,272*	
Ratio of Gross Direct Long-Term Debt to 2019 Certified Taxable Assessed Valuation	5.99%*	
Ratio of Gross Direct Long-Term Debt and Overlapping Debt to 2019 Certified Taxable Assessed Valuation	10.15%*	
Water, Sewer and Drainage Debt Service Funds Available as of April 8, 2020	$9,988,583	(d)(e)
Road Bonds Debt Service Funds Available as of April 8, 2020	1,728,288	(d)
Total Debt Service Funds Available	$11,716,871	(d)
Funds Available for Operation and Maintenance as of April 8, 2020	$ 935,065	
Funds Available for Water, Sewer and Drainage Capital Projects as of April 8, 2020	$2,399,938	
Funds Available for Road Capital Projects as of April 8, 2020	$1,051,809	
Funds Available for Terminal Operating Fund as of April 8, 2020	$6,287,617	

(a) As certified by the Chambers County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) After the refunding of the Refunded Bonds and the issuance of the Bonds. See "Outstanding Bonds" herein.
(c) See "Estimated Overlapping Debt" herein.
(d) Although all of the District's debt, including the Remaining Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities (the "Water, Sewer and Drainage Bonds"), and a portion will be allocated to bonds sold for road facilities. See "—Outstanding Bonds" herein. The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage Bonds and the Water, Sewer and Drainage Debt Service Fund is not pledged to the Road Bonds.
(e) Approximately $88,000* will be applied to the Bonds.

Investment Policies and Procedures

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

*Preliminary; subject to change.

Outstanding Bonds

Series		Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds*	Remaining Outstanding Bonds*	
2012	(a)	$ 4,775,000	$ 4,030,000	$ -	$ 4,030,000	
2013	(b)	6,050,000	5,335,000	4,995,000	340,000	
2014		9,730,000	8,640,000	-	8,640,000	
2014	(c)	7,390,000	6,070,000	-	6,070,000	
2015		12,180,000	10,095,000	-	10,095,000	
2016	(d)	2,955,000	2,405,000	-	2,405,000	
2016A	(c)	14,565,000	12,765,000	-	12,765,000	
2016B	(e)	1,810,000	940,000	-	940,000	
2017		18,915,000	17,515,000	-	17,515,000	
2018	(b)	9,245,000	8,345,000	-	8,345,000	
Total		$ 87,615,000	$ 76,140,000	$ 4,995,000	$ 71,145,000	
The Bonds					5,275,000	*
The Bonds and Remaining Outstanding Bonds					$ 76,420,000	*

(a) Unlimited tax and revenue bonds issued for financing the barge terminal.
(b) Unlimited tax road bonds.
(c) Unlimited tax refunding bonds.
(d) Unlimited tax road refunding bonds.
(e) Unlimited tax and revenue refunding taxable bonds issued for financing the barge terminal.

*Preliminary; subject to change.

Debt Service Requirements

The following table sets forth the actual debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($4,995,000* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements		Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Total Debt Service Requirements*
				Principal	Interest	Total	
2020	$ 5,028,128	(a)	$ 120,978	$ -	$ 29,334	$ 29,334	$ 4,936,484
2021	6,364,153		241,955	60,000	117,338	177,338	6,299,535
2022	6,356,843		426,955	245,000	116,138	361,138	6,291,025
2023	6,370,223		429,555	250,000	111,238	361,238	6,301,905
2024	6,330,593		431,755	260,000	106,238	366,238	6,265,075
2025	6,265,238		438,350	270,000	101,038	371,038	6,197,925
2026	6,238,758		439,000	275,000	95,638	370,638	6,170,395
2027	6,198,418		438,880	280,000	90,138	370,138	6,129,675
2028	6,170,990		442,840	290,000	84,538	374,538	6,102,688
2029	6,126,288		445,855	300,000	78,738	378,738	6,059,170
2030	5,363,510		447,355	305,000	72,738	377,738	5,293,893
2031	5,038,006		448,105	310,000	66,638	376,638	4,966,539
2032	4,987,649		448,105	320,000	60,050	380,050	4,919,594
2033	3,806,076		452,355	330,000	52,850	382,850	3,736,571
2034	3,778,660		450,270	335,000	45,013	380,013	3,708,403
2035	3,725,113		452,420	345,000	37,056	382,056	3,654,749
2036	3,663,595		453,550	355,000	28,431	383,431	3,593,476
2037	3,611,343		458,563	370,000	19,556	389,556	3,542,336
2038	3,200,619		457,294	375,000	9,844	384,844	3,128,169
2039	2,756,375		-	-	-	-	2,756,375
2040	1,997,763		-	-	-	-	1,997,763
2041	1,353,725		-	-	-	-	1,353,725
2042	401,363		-	-	-	-	401,363
Total	$ 105,133,423		$ 7,924,139	$ 5,275,000	$ 1,322,547	$ 6,597,547	$ 103,806,831

(a) Excludes the March 1, 2020 debt service payment in the amount of $1,343,128.

Maximum Annual Debt Service Requirement (2023) $6,301,905*
Average Annual Debt Service Requirement (2021-2042) $4,494,107*

*Preliminary; subject to change.

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Chambers County……………………………………	$ 45,395,000	2/29/2020	11.22%	$ 5,093,319
Goose Creek Consolidated Independent School District…………………………………….	564,166,000	2/29/2020	7.66%	43,215,116
Barbers Hill Independent School District………….	252,655,000	2/29/2020	0.80%	2,021,240
Lee College District……………………………….…	41,115,000	2/29/2020	6.78%	2,787,597
Total Estimated Overlapping Debt………………….				$ 53,117,272
The District…………………………………………..	76,420,000 (a)	Current	100.00%	76,420,000 *
Total Direct and Estimated Overlapping Debt………………………………………………………………………………				$ 129,537,272 *

Direct and Estimated Overlapping Debt as a Percentage of:
2019 Certified Taxable Assessed Valuation of $1,275,889,862.. 10.15%*

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

*Preliminary; subject to change.

Overlapping Taxes

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

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

	Tax Rate per $100 of Taxable Assessed Valuation	
Chambers County	$	0.542
City of Baytown Industrial Agreements (a)		0.510
Cedar Bayou Navigation District		0.030
Goose Creek Consolidated Independent School District (b)		1.354
Lee College District		0.230
Total Overlapping Tax Rate	$	2.666
The District		0.660
Total Tax Rate	$	3.326

(a) All taxpayers in the District have Industrial District Agreements with the City of Baytown for payments in lieu of ad valorem taxes and provide a limited immunity from annexation. This is an estimated average rate and is subject to change.

(b) A portion of the District is within Barbers Hill Independent School District, which set its 2019 tax rate at $1.26 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in this area of $3.232 per $100 of taxable assessed valuation.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Remaining Outstanding Bonds and the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Remaining Outstanding Bonds and the Bonds. See "INVESTMENT CONSIDERATIONS—Tax Collections and Foreclosure Remedies," "Tax Rate Distribution" and "Tax Roll Information" in this section, and "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. On February 7, 2004, voters within the District authorized the levy of a maintenance tax, without limitation. A maintenance tax, if levied, is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	$ 0.60 (a)	$ 0.60	$ 0.60	$ 0.60	$ 0.52
Maintenance and Operations	0.06	0.06	0.06	0.06	0.08
Total	$ 0.66	$ 0.66	$ 0.66	$ 0.66	$ 0.60

(a) Of such $0.60 debt service tax rate, $0.48 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater and storm drainage facilities and $0.12 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for road and improvements in aid thereof.

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of March 31, 2020 (a) Amount	Percent
2015	$ 1,052,286,378	$ 0.600	$ 6,313,718	$ 6,313,101	99.99%
2016	976,999,785	0.660	6,448,199	6,448,018	100.00%
2017	972,403,132	0.660	6,417,861	6,417,718	100.00%
2018	1,106,745,532	0.660	7,304,521	7,300,703	99.95%
2019	1,275,889,862	0.660	8,420,873	8,239,485	97.85%

(a) Unaudited.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Levy of Taxes"). The following represents the composition of property comprising the 2015 through 2019 Certified Taxable Assessed Valuations.

	Type of Property					
Tax Year	Land	Improvements	Personal Property	Gross Assessed Valuations	Deferments and Exemptions	Net Assessed Valuations
2015	$ 11,926,230	$ 258,810,238	$ 784,874,787	$ 1,055,611,255	$ 3,324,877	$ 1,052,286,378
2016	12,740,070	266,963,108	707,725,498	987,428,676	10,428,891	976,999,785
2017	61,311,640	276,823,239	715,822,650	1,053,957,529	82,517,238	971,440,291
2018	63,556,780	288,752,950	781,537,013	1,133,846,743	27,101,211	1,106,745,532
2019	66,300,050	300,340,780	988,504,084	1,355,144,914	79,255,052	1,275,889,862

Additional Penalties

The District has contracted with Smith, Murdaugh, Little & Bonham, L.L.P. for collection of delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax, penalty and interest 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

The following table represents the principal taxpayers for 2019, the certified taxable assessed value of such property, and such property's assessed value as a percentage of the District's 2019 Certified Taxable Assessed Valuation.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Wal-Mart Stores Inc. (a)	$ 262,737,168	20.59%
Borusan Nannesmann Pipe US (a)	137,130,478	10.75%
Ravago Americas, LLC & Ravago Maunfacturing (a)	100,640,696	7.89%
IKEA Supply AG (a)	74,222,688	5.82%
Home Depot Inc (a)	69,001,962	5.41%
JSW Steel USA Inc (a)	63,481,177	4.98%
Piret (4762 Borusan) Holdings & Piret (4830 Borusan) Holdings (a)	50,000,000	3.92%
IPSCO Koppel Tubulars Corp (a)	35,039,385	2.75%
TGS Cedar Port Partners LP (b)	24,564,490	1.93%
Exxon Mobil Chemical Co US	23,183,966	1.82%
Total	$ 840,002,010	65.84%

(a) See "THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS—Principal Property Owners.
(b) See "THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS—The Developer.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of $1,275,889,862 (see "Tax Roll Information" herein). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service.

Average Annual Debt Service Requirement (2021-2042) $4,494,107*
$0.38* Tax Rate on 2019 Certified Taxable Assessed Valuation at 95% collections $4,605,962*

Maximum Annual Debt Service Requirement (2023) $6,301,905*
$0.52* Tax Rate on 2019 Certified Taxable Assessed Valuation at 95% collections $6,302,896*

*Preliminary; subject to change.

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 Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five years or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2019, the District has not adopted a residential homestead exemption for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to 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. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has not granted a general homestead exemption.

Freeport Goods Exemption and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. Neither Chambers County nor the District adopted an order regarding the reappraisal of property in the District.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operations and Maintenance Tax

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

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on homesteads as described above under "-Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential and agricultural property and within six (6) months for commercial and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

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

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 (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of Executive Order GA-18 on April 27, 2020, which, among other things, permits the reopening of retail establishments, dine-in restaurant services, movie theaters, shopping malls, museums and libraries, with limitations on the levels of occupancy, unless and until such order is otherwise extended, modified, rescinded, or superseded by the Governor. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

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

Potential Effects of Oil Price Declines on the Houston Area

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

Recent Extreme Weather Events; Hurricane Harvey

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

According to the District's Operator and Engineer (each as defined herein), the District's System sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Developer, no businesses within the District experienced significant flooding or other material damage.

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 in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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

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

Coastal (or Storm Surge) Flood: Coastal (or Storm Surge) flooding occurs when water levels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large coastal areas. Extreme flooding can occur in coastal areas particularly when storm surge coincides with normal high tide.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of industrial/manufacturing/commercial projects and vacant tracts of land. The market value of such properties is related to general economic conditions in Houston (including the oil and gas industry, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for industrial/manufacturing/commercial sites of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Additionally, TGS Cedar Port estimates that approximately thirty to forty percent of the District's 2019 tax base has exposure to the upstream oil and gas industry. Because the Houston area economy (which includes Chambers County) is particularly affected by the oil and gas industry, fluctuations in prices for oil and gas could negatively affect the demand for and the values of real estate in the Houston area.

Additionally, since taking office in January 2017, the Trump Administration has taken actions affecting Federal policy in areas such as immigration, tariffs and trade. As of the date of this OFFICIAL STATEMENT, there is insufficient information available about the potential Federal actions to estimate the impacts, if any, on the operations of the District or property owners within the District. However, the imposition of tariffs could negatively impact cross-border trade, the use of the District Facilities and the revenues of the District.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 20 miles east of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A decline in the nation's real estate and financial markets could adversely affect development in the District and restrain the growth or reduce the value of the District's property tax base.

Undeveloped Land

The District includes approximately 9,862 acres of land (including approximately fifteen to twenty percent of which is served by trunkline water distribution and wastewater collection facilities) that has not been fully provided with water, wastewater and storm drainage facilities. The District can give no assurances when and if this land will be developed.

Dependence on Principal Taxpayers

Based on the 2019 Certified Taxable Assessed Valuation of $1,275,889,862, the ten largest property owners are responsible for payment of approximately 65.56% of the District's 2019 taxes. The principal taxpayer is Wal-Mart representing $262,737,168 or 20.59% of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862. See "THE DISTRICT—Land Use and Status of Development" and "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Dependence on Personal Property Tax Collections

Approximately 77.48% ($988,504,084) of the 2019 Certified Taxable Assessed Valuation of $1,275,889,862 is personal property. Most other special purpose districts in Texas are not dependent to such an extent on taxes levied on personal property, and collection of personal property taxes is less reliable than collection of taxes on real property. See "TAX DATA—Tax Roll Information" and "TAXING PROCEDURES—Property Subject to Taxation—Freeport Goods Exemption."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

Heretofore, the District has been successful in collecting its ad valorem tax levies, including ad valorem taxes levied on personal property located in the District. However, no representation can be made by the District regarding future tax collections. See "TAX DATA—Historical Tax Collections."

Tax Collections and Foreclosure Remedies

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

Landowners/Developers Under No Obligation to the District

There are no commitments from or obligations of principal property owners or any other landowner within the District to proceed with the development of land or the construction of improvements in the District at any particular rate or according to any specified plan, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer, principal property owners and the other landowners for the timely payment of annual ad valorem taxes levied by the District for the purpose of paying debt service on the Bonds, and the District cannot predict what the future financial condition of such Developer, principal property owners or other landowners will be, or what effect, if any, the conditions described herein may have on their ability to pay taxes.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. Voters within the District have authorized the issuance of $250,000,000 principal amount of unlimited tax bonds for the purposes set forth in the Act, including the preservation, maintenance, and enhancement of the economic health and vitality of the TGS Cedar Port Industrial Park as a business and industrial center. After issuance of the Bonds, the District will have $154,295,000* principal amount of unlimited tax bonds authorized but unissued. Any additional bonds issued will be on a parity with the Bonds; therefore, the issuance of additional obligations may increase the District's tax rate and adversely affect the security of, and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds that it may issue. The issuance of additional bonds for water, wastewater and storm drainage purposes is subject to approval by the TCEQ pursuant to issuance guidelines established by the TCEQ. See "THE BONDS—Issuance of Additional Debt."

The District intends to issue additional bonds to continue developing land within the District and to construct utilities and roads within the District's boundaries. The District has authorized preparation of a bond application to the TCEQ requesting approval to issue unlimited tax bonds in the principal amount of approximately $43,030,000 for water, sewer and drainage facilities. The District expects approval of such application and sale of such bonds in the fourth quarter of 2020. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for constructing or acquiring water, sewer or drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, additional bonds may be issued for purposes which do not result in any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Environmental Regulation and Air Quality

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.

*Preliminary; subject to change.

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds.

Continuing Compliance with Certain Covenants

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

Marketability

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property in the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's opinion will also state that, as a result of the deposit of Escrowed Securities with the Escrow Agent for the Refunded Bonds pursuant to the Escrow Agreement, firm banking arrangements will have been made for the payment of the Refunded Bonds pursuant to the Escrow Agreement and that, therefore, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under such Escrow Agreement. Bond Counsel will express no opinion with respect to the sufficiency of the security for or marketability of the Bonds.

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh Little & Bonham, L.L.P. has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "PLAN OF FINANCING", "—Escrow Agreement and Defeasance of Refunded Bonds (but only insofar as such section relates to the legal opinion of Bond Counsel)", "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT— General," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, 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, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

Opinion

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

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Discount Bonds

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

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering `price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health-insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds have not been designated “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

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

The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

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

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 all information provided to it by the District's retained advisors, consultants or legal counsel.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC, Houston, Texas is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT.

The Financial Advisor has not, however, independently verified the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation into the affairs of persons or firms referred to in this OFFICIAL STATEMENT for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has consented to the use of information provided by such firm.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the District's assessed value has been provided by the Chambers County Appraisal District and has been included herein in reliance upon the authority of such entity as an expert in appraising the values of property in Chambers County including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value, the historical tax rate distribution, historical tax collection rates and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Chambers County Tax Assessor/Collector and is included herein in reliance upon the authority of such individual as an expert in appraising property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water and sewer system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Barcelona Consulting Services, LLC, the District's Engineer, and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

Auditor: The District's audited financial statements for the fiscal year ended December 31, 2018, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2018, audited financial statement.

Bookkeeper: The information related to the "unaudited" information contained under the caption "THE SYSTEM—District Operations" has been provided by Municipal Business Services, Inc. and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the 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 the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED), (except for "Estimated Overlapping Debt" and "Overlapping Taxes")," "TAX DATA," "THE SYSTEM," and "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019.

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 the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material (15) incurrence of a financial obligation of the District or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or an 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 District or an obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. The MSRB makes the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

For the last five years, the District has been in compliance in all material respects with its previous disclosure undertakings made in accordance with the Rule, except the District failed to provide timely updates of the subsections titled "Estimated Overlapping Debt" and "Overlapping Taxes" in its 2015 and 2016 annual reports. The District has filed a notice of late filing and has established procedures to ensure future disclosures are prepared and submitted in a timely manner. These filings are publicly available on EMMA.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Chambers County Improvement District No. 1 as of the date shown on the cover page.

/s/____
President, Board of Directors

ATTEST:

/s/____
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended December 31, 2018

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1

CHAMBERS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1

CHAMBERS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chambers County Improvement District No. 1
Chambers County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Chambers County Improvement District No. 1 (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Chambers County Improvement District No. 1

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 December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 12, 2019

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Management's discussion and analysis of Chambers County Improvement District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2018. 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 the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating expenditures and barge terminal operations. The Debt Service Fund accounts for ad valorem, taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $742,251 as of December 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land, roads, barge terminal and the water, wastewater and drainage facilities 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:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 28,673,654	$ 27,110,110	$ 1,563,544
Capital Assets	61,215,283	55,001,243	6,214,040
Total Assets	$ 89,888,937	$ 82,111,353	$ 7,777,584
Deferred Outflows of Resources	$ 1,388,613	$ 1,517,600	$ (128,987)
Due to Developer	$ 2,228,783	$ 3,511,549	$ 1,282,766
Bonds Payable	79,964,166	73,941,785	(6,022,381)
Other Liabilities	1,325,288	1,209,295	(115,993)
Total Liabilities	$ 83,518,237	$ 78,662,629	$ (4,855,608)
Deferred Inflows of Resources	$ 7,017,062	$ 6,330,347	$ (686,715)
Net Position:			
Net Investment in Capital Assets	$ (9,800,811)	$ (10,630,599)	$ 829,788
Restricted	4,069,554	4,202,997	(133,443)
Unrestricted	6,473,508	5,063,579	1,409,929
Total Net Position	$ 742,251	$ (1,364,023)	$ 2,106,274

The following table provides a summary of the District's operations for the years ending December 31, 2018 and December 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 6,182,338	$ 6,099,974	$ 82,364
Barge Terminal Revenues	1,466,143	896,362	569,781
Charges for Services	2,165,991	1,595,559	570,432
Other Revenues	250,863	129,320	121,543
Total Revenues	$ 10,065,335	$ 8,721,215	$ 1,344,120
Expenses for Services	7,959,061	6,574,035	(1,385,026)
Change in Net Position	$ 2,106,274	$ 2,147,180	$ (40,906)
Net Position, Beginning of Year	(1,364,023)	(3,511,203)	2,147,180
Net Position, End of Year	$ 742,251	$ (1,364,023)	$ 2,106,274

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District had combined fund balances of $21,118,260 as of December 31, 2018, an increase of $965,555 from the prior fiscal year.

The General Fund fund balance increased by $1,415,227, primarily due to barge terminal, service and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by $65,978, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by $515,650, primarily due to developer reimbursement costs exceeding bond proceeds received in the current year.

BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal. Actual revenues were $1,602,355 more than budgeted revenues primarily due to higher than anticipated barge terminal, water/wastewater service and investment revenues. Actual expenditures were $512,605 more than budgeted expenditures primarily due to higher than anticipated professional fees, contracted services and purchased water service costs, offset by lower than anticipated repairs and maintenance costs.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total $61,215,283 net of accumulated depreciation. Additions to capital assets included construction and engineering for the following projects: paving of Sutton Road, Cedar Port Parkway, Water Plant Road, and Borusan Road; land acquisition; water line and sanitary sewer line extensions; and USX Channel, Phase 4.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 12,676,871	$ 10,176,871	$ 2,500,000
Construction in Progress		1,169,115	(1,169,115)
Capital Assets, Net of Accumulated Depreciation:			
Roads and Fencing	8,637,940	4,565,591	4,072,349
Barge Terminal	5,489,251	5,847,406	(358,155)
Water System	5,631,162	5,452,060	179,102
Wastewater System	6,144,400	6,311,285	(166,885)
Drainage System	22,635,659	21,478,915	1,156,744
Total Net Capital Assets	$ 61,215,283	$ 55,001,243	$ 6,214,040

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

LONG-TERM DEBT ACTIVITY

As of December 31, 2018, the District had total bond debt payable of $80,315,000. The changes in bond debt of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, January 1, 2018	$	74,290,000
Add: Bond Sale - Series 2018 Road		9,245,000
Less: Bond Principal Paid		3,220,000
Bond Debt Payable, December 31, 2018	$	80,315,000

The District's Series 2015, 2016 refunding, 2016A refunding, 2016B refunding, 2017 and 2018 Road bonds carry an underlying rating of "A2"by Moody's. The remainder of the District's bonds are non-rated. These ratings reflect changes, if any, as of December 31, 2018.

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 Chambers County Improvement District No. 1, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 525,977	$ 706,865
Investments	5,559,614	4,776,546
Cash with Tax Assessor/Collector	423,946	
Receivables:		
Property Taxes	573,901	5,710,110
Service Accounts	167,494	
Barge Terminal Operations	363,320	
Due from Other Funds	77,639	121,205
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 7,691,891	$ 11,314,726
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,691,891	$ 11,314,726

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 2,134,117	$ 3,366,959	$	$ 3,366,959
7,731,764	18,067,924		18,067,924
	423,946		423,946
	6,284,011		6,284,011
	167,494		167,494
	363,320		363,320
	198,844	(198,844)	
		12,676,871	12,676,871
		48,538,412	48,538,412
$ 9,865,881	$ 28,872,498	$ 61,016,439	$ 89,888,937
$ -0-	$ -0-	$ 1,388,613	$ 1,388,613
$ 9,865,881	$ 28,872,498	$ 62,405,052	$ 91,277,550

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

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 181,043	$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	121,205	
Security Deposits	278,220	
Accrued Interest at Time of Sale		12,283
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 580,468	$ 12,283
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 646,614	$ 6,437,234
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		4,865,209
Unassigned	6,464,809	
TOTAL FUND BALANCES	$ 6,464,809	$ 4,865,209
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,691,891	$ 11,314,726
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 181,043	$	$ 181,043
		866,025	866,025
		2,228,783	2,228,783
77,639	198,844	(198,844)	
	278,220		278,220
	12,283	(12,283)	
		4,175,000	4,175,000
		75,789,166	75,789,166
$ 77,639	$ 670,390	$ 82,847,847	$ 83,518,237
$ -0-	$ 7,083,848	$ (66,786)	$ 7,017,062
$ 9,788,242	$ 9,788,242	$ (9,788,242)	$
	4,865,209	(4,865,209)	
	6,464,809	(6,464,809)	
$ 9,788,242	$ 21,118,260	$ (21,118,260)	$ -0-
$ 9,865,881	$ 28,872,498		
		$ (9,800,811)	$ (9,800,811)
		4,069,554	4,069,554
		6,473,508	6,473,508
		$ 742,251	$ 742,251

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

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances - Governmental Funds		$ 21,118,260
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		61,215,283
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		1,388,613
Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		66,786
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (2,228,783)	
Accrued Interest	(853,742)	
Bonds Payable	(79,964,166)	(83,046,691)
Total Net Position - Governmental Activities		$ 742,251

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

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CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 569,582	$ 5,689,026
Barge Terminal	1,466,143	
Water Service	1,402,863	
Wastewater Service	405,291	
Penalty and Interest	180,792	
Tap Connection and Inspection Fees	177,045	
Miscellaneous Revenues	77,739	61,758
TOTAL REVENUES	$ 4,279,455	$ 5,750,784
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 386,783	$
Contracted Services	756,317	54,069
Purchased Water Service	1,015,027	
Utilities	69,715	
Repairs and Maintenance	444,970	
Depreciation		
Other	191,416	648
Capital Outlay		
Debt Service:		
Bond Principal		3,220,000
Bond Interest		2,410,089
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 2,864,228	$ 5,684,806
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,415,227	$ 65,978
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ 1,415,227	$ 65,978
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2018	5,049,582	4,799,231
FUND BALANCES/NET POSITION - DECEMBER 31, 2018	$ 6,464,809	$ 4,865,209

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 6,258,608	$ (76,270)	$ 6,182,338
	1,466,143		1,466,143
	1,402,863		1,402,863
	405,291		405,291
	180,792		180,792
	177,045		177,045
111,366	250,863		250,863
$ 111,366	$ 10,141,605	$ (76,270)	$ 10,065,335
$	$ 386,783	$	$ 386,783
	810,386		810,386
	1,015,027		1,015,027
	69,715		69,715
	444,970	218,749	663,719
		1,581,541	1,581,541
441	192,505		192,505
9,297,096	9,297,096	(9,297,096)	
	3,220,000	(3,220,000)	
	2,410,089	254,817	2,664,906
574,479	574,479		574,479
$ 9,872,016	$ 18,421,050	$ (10,461,989)	$ 7,959,061
$ (9,760,650)	$ (8,279,445)	$ 10,385,719	$ 2,106,274
$ 9,245,000	$ 9,245,000	$ (9,245,000)	$ -0-
$ (515,650)	$ 965,555	$ (965,555)	$
		2,106,274	2,106,274
10,303,892	20,152,705	(21,516,728)	(1,364,023)
$ 9,788,242	$ 21,118,260	$ (20,376,009)	$ 742,251

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

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds	$	965,555
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.		(76,270)
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.		(1,581,541)
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.		9,078,347
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.		3,220,000
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.		(254,817)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(9,245,000)
Change in Net Position - Governmental Activities	$	2,106,274

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

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. CREATION OF DISTRICT

Chambers County Improvement District No. 1 (the "District"), a political subdivision of the State of Texas located in Chambers County, was created effective August 30, 1993, by special act of the 73rd Texas Legislature. The District has the powers, among others, of municipal management districts, road utility districts, navigation districts, rural rail transportation districts and municipal utility districts created pursuant to Article III, Section 52, Article III, Section 52-a and Article XVI, Section 59 of the Texas Constitution. Pursuant to Chapter 566, Acts of the 73rd Legislature, Regular Session, 1993, as amended, the District can conduct a broad range of functions related to diversification of the economy of the State of Texas, promotion, development and expansion of employment, commerce, economic development and the public welfare, promotion of the control, treatment, storage and distribution of water, protecting, preserving and restoring the sanitary condition of water, promoting the transportation of agricultural, industrial and commercial products, promoting the health, safety and general welfare of property owners, residents, employers and employees in the District, promoting the improvement of rivers, bays, creeks, streams and canals to permit or to aid navigation and commerce and promoting the construction, maintenance and operations of streets, roads, highways, turnpikes and railroads in the area of the District. The Board of Directors held its first meeting on September 21, 1993, and the District's first bond issue was on January 20, 2005.

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 appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separate 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.

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.

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 in the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

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

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies. The 2018 tax levy has been fully deferred to meet the operating costs of the 2019 fiscal year.

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

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Roads	10-50
Barge Terminal	25
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

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

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

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

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

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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	$ 74,290,000	$ 9,245,000	$ 3,220,000	$ 80,315,000
Unamortized Premiums	657,297		47,537	609,760
Unamortized Discounts	(1,005,512)		(44,918)	(960,594)
Bonds Payable, Net	$ 73,941,785	$ 9,245,000	$ 3,222,619	$ 79,964,166

Amount Due Within One Year	$ 4,175,000
Amount Due After One Year	75,789,166
Bonds Payable, Net	$ 79,964,166

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2012	Series 2013	Series 2014
Amounts Outstanding – December 31, 2018	$ 4,160,000	$ 5,495,000	$ 8,880,000
Interest Rates	2.50% - 4.20%	3.25% - 5.125%	2.50% - 4.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2037	September 1, 2019/2038	September 1, 2019/2039
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2021*	September 1, 2020*	September 1, 2021*

* Or on any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2012 term bonds maturing on September 1 2027, September 1, 2029, September 1, 2032, and September 1 2037, are subject to mandatory redemption beginning September 1, 2026, September 1, 2028, September 1, 2030, and September 1, 2033, respectively. Series 2013 term bonds maturing in September 1, 2030, September 1, 2032, September 1, 2035, and September 1, 2038, are subject to mandatory redemption beginning September 1, 2029, September 1, 2031, September 1, 2033, and September 1, 2036, respectively. Series 2014 term bonds maturing in September 1, 2035 and September 1, 2039, are subject to mandatory redemption beginning September 1, 2034, and September 1, 2036, respectively.

	Refunding Series 2014A	Series 2015	Refunding Series 2016
Amounts Outstanding – December 31, 2018	$ 6,335,000	$ 10,570,000	$ 2,590,000
Interest Rates	3.45%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2029	September 1, 2019/2040	September 1, 2019/2030
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2024**	September 1, 2023**	September 1, 2025**

** Or on any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2015 term bonds maturing on September 1, 2035, and September 1, 2040, are subject to mandatory redemption on September 1, 2034, and September 1, 2036, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2016A	Refunding Series 2016B	Series 2017
Amounts Outstanding – December 31, 2018	$ 13,585,000	$ 1,240,000	$ 18,215,000
Interest Rates	2.00% - 4.00%	2.20% - 3.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2032	September 1, 2019/2022	September 1, 2019/2041
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2025***	Non-callable	September 1, 2024***

	Series 2018 Road
Amounts Outstanding – December 31, 2018	$ 9,245,000
Interest Rates	3.00% - 4.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2042
Interest Payment Dates	March 1/ September 1
Callable Dates	September 1, 2024***

*** Or on any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2018 term bonds maturing on September 1, 2033, are subject to mandatory redemption on September 1, 2032.

As of December 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 4,175,000	$ 2,718,072	$ 6,893,072
2020	3,685,000	2,686,255	6,371,255
2021	3,765,000	2,599,151	6,364,151
2022	3,850,000	2,506,843	6,356,843
2023	3,960,000	2,410,221	6,370,221
2024-2028	21,030,000	10,173,996	31,203,996
2029-2033	18,930,000	6,391,527	25,321,527
2034-2038	14,885,000	3,094,329	17,979,329
2039-2042	6,035,000	474,225	6,509,225
	$ 80,315,000	$ 33,054,619	$ 113,369,619

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2018, the District has authorized but unissued bonds in the amount of $154,575,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and certain series of bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of District facilities, as defined in the bond orders.

During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of $0.60 (consisting of $0.46 for utilities and $0.14 for roads) per $100 of assessed valuation, which resulted in a tax levy of $6,379,147 on the adjusted taxable valuation of $1,063,189,814 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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 be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

The bond orders state that the District is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 $3,366,959 and the bank balance was $3,357,142. 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 December 31, 2018, as listed below:

	Cash
GENERAL FUND	$ 525,977
DEBT SERVICE FUND	706,865
CAPITAL PROJECTS FUND	2,134,117
TOTAL DEPOSITS	$ 3,366,959

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 5,559,614	$ 5,559,614
DEBT SERVICE FUND		
TexPool	4,776,546	4,776,546
CAPITAL PROJECTS FUND		
TexPool	7,731,764	7,731,764
TOTAL INVESTMENTS	$ 18,067,924	$ 18,067,924

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investment in TexPool was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District unless there has been a significant change in value.

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018:

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 10,176,871	$ 2,500,000	$	$ 12,676,871
Construction in Progress	1,169,115	7,926,417	9,095,532	
Total Capital Assets Not Being Depreciated	$ 11,345,986	$ 10,426,417	$ 9,095,532	$ 12,676,871
Capital Assets Subject to Depreciation				
Roads and Fencing	$ 5,520,312	$ 4,334,069	$	$ 9,854,381
Barge Terminal	8,960,437			8,960,437
Water System	6,370,178	357,760		6,727,938
Wastewater System	7,772,634	27,528		7,800,162
Drainage System	22,599,220	1,745,339		24,344,559
Total Capital Assets Subject to Depreciation	$ 51,222,781	$ 6,464,696	$ - 0 -	$ 57,687,477
Accumulated Depreciation				
Roads and Fencing	$ 954,721	$ 261,720	$	$ 1,216,441
Barge Terminal	3,113,031	358,155		3,471,186
Water System	918,118	178,658		1,096,776
Wastewater System	1,461,349	194,413		1,655,762
Drainage System	1,120,305	588,595		1,708,900
Total Accumulated Depreciation	$ 7,567,524	$ 1,581,541	$ - 0 -	$ 9,149,065
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 43,655,257	$ 4,883,155	$ - 0 -	$ 48,538,412
Total Capital Assets, Net of Accumulated Depreciation	$ 55,001,243	$ 15,309,572	$ 9,095,532	$ 61,215,283

NOTE 7. MAINTENANCE TAX

On February 7, 2004, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount on the assessed valuation of taxable property within the District. During the current year, the District levied an ad valorem maintenance tax rate of $0.06 per $100 of assessed valuation, which resulted in a tax levy of $637,915 on the adjusted taxable valuation of $1,063,189,814 for the 2018 tax year. The levy of 2018 taxes are for the purpose of meeting the District’s cost of operations in the 2019 fiscal year, therefore, tax revenues have been deferred to the extent of the entire 2018 tax levy.

NOTE 8. UNREIMBURSED COSTS

The District has executed financing agreements with developers within the District. The agreement calls for the developers to make certain payments on behalf of the District for operating costs or costs associated with the construction of certain facilities. The District anticipates reimbursing the developer from proceeds of future bond sales or using other lawfully available funds.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and no settlements have exceeded coverage in the past three years.

NOTE 10. EMERGENCY PROTECTION SERVICES AGREEMENT

On August 1, 2005, the District entered into an Agreement for Emergency Protection Services (Agreement) with the City of Baytown (the "City") whereby the City will provide firefighting support and backup protection to the District's territory located within the City. The initial term of the Agreement was for six years with an option to renew for an additional four-year term upon agreement of both the District and the City. The District renewed the agreement with the City for an additional four-year term on May 11, 2011. On October 29, 2015, the District and the City executed a new Agreement for a six-year term. During the current fiscal year, the District recorded expenditures of $255,000 in accordance with the terms of this Agreement.

NOTE 11. INTERFUND PAYABLES AND RECEIVABLES

The General Fund recorded a payable to the Debt Service Fund in the amount of $121,205 for debt service tax collections. The Capital Projects Fund recorded a payable to the General Fund in the amount of $77,639 for bond issuance costs and capital outlay paid by the General Fund.

NOTE 12. WATER SUPPLY AGREEMENT

On May 23, 2007, the District entered into a Water Supply Agreement with the City of Baytown, Texas. In accordance with the agreement, the City agreed to provide water to the District to service the area within its boundaries. The total treated water requirement shall not exceed 500,000 gallons per day average daily flow. The District will own, operate and maintain at its sole cost and expense, the District's water system.

The District pays the City in monthly installments a service charge equal to the City's minimum charge and additional charges, if any, applied to the actual quantity of treated water delivered to the District during the month in question.

NOTE 12. WATER SUPPLY AGREEMENT (Continued)

The charge shall be calculated on the basis of the metered water use for each user connected to the District's system, consistent with the provisions for such calculation found in the City's water service rate ordinance, which may be amended from time to time. During the current fiscal year, the District incurred costs of $1,015,027 in relation to this agreement.

In addition, the District pays the City impact fees, which are charged against new development with the District's service area in order to generate revenue for funding or recouping the cost of capital improvements or facility expansions necessitated by and attributable to new development. The impact fees may be adjusted from time to time by the City and the District is required to pay the rate in effect at the time payment is due.

This agreement is in force and effect from the date of execution by the City for a term of 25 years; provided that (i) the City's contract with the Baytown Area Water Authority (the "Authority") for the purchase of treated water in sufficient quantities to supply the District under the terms and conditions in effect at the time of the execution of this agreement remain unchanged; and (ii) the Authority's contract with the City of Houston for the purchase of raw water in sufficient quantities to supply the Authority under the terms and conditions in effect at the time of the execution of this agreement remain unchanged. Should the City's contract with the Authority or the Authority's contract with the City of Houston be terminated for any reason or should the City become legally unable to supply the District, then this agreement will terminate automatically at the time of such termination or inability.

NOTE 13. INTERLOCAL AGREEMENT FOR HEAVY HAUL ROAD MAINTENANCE

On December 28, 2010, the District entered into an Interlocal Agreement for Heavy Haul Road Maintenance with Chambers County, Texas (the "County"). The County has constructed West Greenwood, South Greenwood and Cedar Port Boulevard which in combination form a traffic route, commonly referred to as "Heavy Haul Road", from FM 1405 to Cedar Port Barge Terminal. Per the agreement, the County will waive the requirement for an overweight vehicle permit and the corresponding fee and maintenance bond for any vehicle operator using the Heavy Haul Road in a lawful manner. In return, the District has agreed to share any maintenance and repair costs with one half of such costs to be paid by the District and one half to be paid by the County.

NOTE 14. BOND SALE

On November 14, 2018, the District sold its $9,245,000 Series 2018 Unlimited Tax Road Bonds. The proceeds were used to reimburse the developer for a portion of the construction, engineering, survey and/or testing costs related to Cedar Port Parkway, Water Plant Road, Deepwater Expansion, Borusan Road, Bawa Road, Grand Parkway State Highway 99 and FM 1405 as well as the Sutton Road land acquisition. Additional proceeds were also used to pay for certain costs associated with the issuance of the bonds.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 590,000	$ 569,582	$ (20,418)
Barge Terminal	912,600	1,466,143	553,543
Water Service	880,000	1,402,863	522,863
Wastewater Service	275,000	405,291	130,291
Penalty and Interest	7,500	180,792	173,292
Tap Connection and Inspection Fees		177,045	177,045
Miscellaneous Revenues	12,000	77,739	65,739
TOTAL REVENUES	$ 2,677,100	$ 4,279,455	$ 1,602,355
EXPENDITURES			
Services Operations:			
Professional Fees	$ 240,000	$ 386,783	$ (146,783)
Contracted Services	633,000	756,317	(123,317)
Purchased Water Service	750,000	1,015,027	(265,027)
Utilities	51,000	69,715	(18,715)
Repairs and Maintenance	531,000	444,970	86,030
Other	146,623	191,416	(44,793)
TOTAL EXPENDITURES	$ 2,351,623	$ 2,864,228	$ (512,605)
NET CHANGE IN FUND BALANCE	$ 325,477	$ 1,415,227	$ 1,089,750
FUND BALANCE - JANUARY 1, 2018	5,049,582	5,049,582	
FUND BALANCE - DECEMBER 31, 2018	$ 5,375,059	$ 6,464,809	$ 1,089,750

See accompanying independent auditor's report.

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CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2018

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective February 8, 2017.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 15.06	-0-	N	$ 8.42	-0- and up
WASTEWATER:	$ 15.06	-0-	N	$ 8.48	-0- and up
SURCHARGE:	None				

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

Total monthly charges per 10,000 gallons usage: Water: $ 99.26 Wastewater: $ 99.86

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

a. WATER AND WASTEWATER RETAIL CONNECTIONS:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	7	7	x 1.0	7
1"	7	6	x 2.5	15
1½"	14	13	x 5.0	65
2"	20	20	x 8.0	160
3"	6	6	x 15.0	90
4"	3	3	x 25.0	75
6"	5	5	x 50.0	250
8"	7	7	x 80.0	560
10"			x 115.0	
Total Water Connections	69	67		1,222
Total Wastewater Connections	43	43	x 1.0	43

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

Gallons billed to customers:	145,445,000	Water Accountability Ratio: 82%
Gallons purchased:	177,672,000	From: City of Baytown, Texas

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Does the District have Debt Service standby fees? Yes ___ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County in which District is located:

Chambers County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ in which District is located:

City of Baytown, Texas

Are Board Members appointed by an office outside the District?

Yes _X_ No ___

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

PROFESSIONAL FEES:		
Auditing	$	19,500
Engineering		194,456
Legal		172,827
TOTAL PROFESSIONAL FEES	$	386,783
PURCHASED WATER SERVICE	$	1,015,027
CONTRACTED SERVICES:		
Bookkeeping	$	14,434
Operations and Billing		80,238
Project Management		222,900
Public Affairs Consultant		180,062
TOTAL CONTRACTED SERVICES	$	497,634
UTILITIES:		
Electricity	$	67,926
Telephone		1,789
TOTAL UTILITIES	$	69,715
REPAIRS AND MAINTENANCE	$	444,970
ADMINISTRATIVE EXPENDITURES:		
Insurance	$	53,294
Office Supplies and Postage		2,456
Travel and Meetings		7,570
Dues and Other		36,158
TOTAL ADMINISTRATIVE EXPENDITURES	$	99,478
TAP CONNECTIONS	$	12,574
SOLID WASTE DISPOSAL	$	3,683
FIRE FIGHTING	$	255,000
OTHER EXPENDITURES:		
Chemicals	$	19,828
Laboratory Fees		30,794
Permit Fees		1,853
Inspection Fees		5,197
Sludge Hauling		21,692
TOTAL OTHER EXPENDITURES	$	79,364
TOTAL EXPENDITURES	$	2,864,228

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
DECEMBER 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0001	Varies	Daily	$ 720,151	$
TexPool	XXXX0006	Varies	Daily	4,839,463	
TOTAL GENERAL FUND				$ 5,559,614	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0003	Varies	Daily	$ 3,970,366	$
TexPool	XXXX0005	Varies	Daily	806,180	
TOTAL DEBT SERVICE FUND				$ 4,776,546	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXX0002	Varies	Daily	$ 3,586,487	$
TexPool	XXXX0004	Varies	Daily	4,145,277	
TOTAL CAPITAL PROJECTS FUND				$ 7,731,764	$ - 0 -
TOTAL - ALL FUNDS				$ 18,067,924	$ - 0 -

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JANUARY 1, 2018	$ 483,620		$ 4,825,288	
Adjustments to Beginning Balance	(11,202)	$ 472,418	(136,807)	$ 4,688,481
Original 2018 Tax Levy	$ 637,915		$ 6,379,147	
Adjustment to 2018 Tax Levy		637,915		6,379,147
TOTAL TO BE ACCOUNTED FOR		$ 1,110,333		$ 11,067,628
TAX COLLECTIONS:				
Prior Years	$ 463,719		$ 4,630,394	
Current Year	72,713	536,432	727,124	5,357,518
TAXES RECEIVABLE - DECEMBER 31, 2018		$ 573,901		$ 5,710,110
TAXES RECEIVABLE BY YEAR:				
2018		$ 565,202		$ 5,652,023
2017		13		129
2016		1,042		10,424
2015		1,318		8,565
2014		1,565		14,082
2013		3,246		11,734
2012		966		6,280
2011		445		6,455
2009 and prior		104		418
TOTAL		$ 573,901		$ 5,710,110

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017	2016	2015
TOTAL PROPERTY VALUATIONS	$ 1,063,189,814	$ 951,775,774	$ 905,458,939	$ 1,044,390,100
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.60	$ 0.60	$ 0.60	$ 0.52
Maintenance	0.06	0.06	0.06	0.08
TOTAL TAX RATES PER $100 VALUATION	$ 0.66	$ 0.66	$ 0.66	$ 0.60
ADJUSTED TAX LEVY*	$ 7,017,062	$ 6,330,347	$ 5,976,029	$ 6,266,341
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	11.40 %	99.99 %	99.81 %	99.84 %

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

Maintenance Tax – Unlimited tax rate per $100 of assessed valuation approved by voters on February 7, 2004.

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES - 2012		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 130,000	$ 161,525	$ 291,525
2020	135,000	158,275	293,275
2021	145,000	154,630	299,630
2022	150,000	150,280	300,280
2023	160,000	145,630	305,630
2024	170,000	140,270	310,270
2025	180,000	134,150	314,150
2026	190,000	127,400	317,400
2027	200,000	119,800	319,800
2028	210,000	111,800	321,800
2029	220,000	103,400	323,400
2030	235,000	94,600	329,600
2031	245,000	84,965	329,965
2032	260,000	74,920	334,920
2033	275,000	64,260	339,260
2034	290,000	52,710	342,710
2035	305,000	40,530	345,530
2036	320,000	27,720	347,720
2037	340,000	14,280	354,280
2038			
2039			
2040			
2041			
2042			
	$ 4,160,000	$ 1,961,145	$ 6,121,145

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 1 3		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 160,000	$ 259,492	$ 419,492
2020	165,000	254,293	419,293
2021	175,000	248,517	423,517
2022	185,000	241,955	426,955
2023	195,000	234,555	429,555
2024	205,000	226,755	431,755
2025	220,000	218,350	438,350
2026	230,000	209,000	439,000
2027	240,000	198,880	438,880
2028	255,000	187,840	442,840
2029	270,000	175,855	445,855
2030	285,000	162,355	447,355
2031	300,000	148,105	448,105
2032	315,000	133,105	448,105
2033	335,000	117,355	452,355
2034	350,000	100,270	450,270
2035	370,000	82,420	452,420
2036	390,000	63,550	453,550
2037	415,000	43,562	458,562
2038	435,000	22,294	457,294
2039			
2040			
2041			
2042			
	$ 5,495,000	$ 3,328,508	$ 8,823,508

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 1 4		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 240,000	$ 356,896	$ 596,896
2020	255,000	350,896	605,896
2021	270,000	344,521	614,521
2022	280,000	336,691	616,691
2023	295,000	327,871	622,871
2024	310,000	317,989	627,989
2025	330,000	307,139	637,139
2026	345,000	295,589	640,589
2027	365,000	282,996	647,996
2028	385,000	269,126	654,126
2029	405,000	254,111	659,111
2030	425,000	237,911	662,911
2031	445,000	220,486	665,486
2032	470,000	201,573	671,573
2033	495,000	181,011	676,011
2034	520,000	159,355	679,355
2035	550,000	136,475	686,475
2036	575,000	112,275	687,275
2037	605,000	86,400	691,400
2038	640,000	59,175	699,175
2039	675,000	30,375	705,375
2040			
2041			
2042			
	$ 8,880,000	$ 4,868,861	$ 13,748,861

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	REFUNDING SERIES-2014A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 265,000	$ 218,558	$ 483,558
2020	275,000	209,415	484,415
2021	290,000	199,927	489,927
2022	300,000	189,923	489,923
2023	675,000	179,572	854,572
2024	690,000	156,285	846,285
2025	715,000	132,480	847,480
2026	745,000	107,812	852,812
2027	765,000	82,110	847,110
2028	795,000	55,718	850,718
2029	820,000	28,290	848,290
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	$ 6,335,000	$ 1,560,090	$ 7,895,090

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 1 5		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 475,000	$ 328,456	$ 803,456
2020	475,000	318,956	793,956
2021	475,000	309,456	784,456
2022	500,000	299,956	799,956
2023	500,000	289,956	789,956
2024	500,000	278,706	778,706
2025	450,000	266,206	716,206
2026	450,000	254,394	704,394
2027	450,000	242,019	692,019
2028	450,000	228,519	678,519
2029	450,000	215,019	665,019
2030	475,000	200,956	675,956
2031	475,000	185,519	660,519
2032	475,000	170,081	645,081
2033	475,000	154,050	629,050
2034	475,000	137,425	612,425
2035	475,000	119,613	594,613
2036	475,000	101,800	576,800
2037	475,000	82,800	557,800
2038	475,000	63,800	538,800
2039	550,000	44,800	594,800
2040	570,000	22,800	592,800
2041			
2042			
	$ 10,570,000	$ 4,315,287	$ 14,885,287

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	REFUNDING SERIES-2016		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 185,000	$ 82,100	$ 267,100
2020	190,000	78,400	268,400
2021	195,000	74,600	269,600
2022	195,000	70,700	265,700
2023	200,000	66,800	266,800
2024	205,000	60,800	265,800
2025	215,000	54,650	269,650
2026	225,000	48,200	273,200
2027	230,000	39,200	269,200
2028	240,000	30,000	270,000
2029	250,000	20,400	270,400
2030	260,000	10,400	270,400
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
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2040			
2041			
2042			
	$ 2,590,000	$ 636,250	$ 3,226,250

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	REFUNDING SERIES-2016A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 820,000	$ 448,700	$ 1,268,700
2020	835,000	432,300	1,267,300
2021	850,000	415,600	1,265,600
2022	870,000	398,600	1,268,600
2023	885,000	381,200	1,266,200
2024	905,000	354,650	1,259,650
2025	930,000	327,500	1,257,500
2026	955,000	299,600	1,254,600
2027	995,000	261,400	1,256,400
2028	1,035,000	221,600	1,256,600
2029	1,070,000	180,200	1,250,200
2030	1,105,000	137,400	1,242,400
2031	1,145,000	93,200	1,238,200
2032	1,185,000	47,400	1,232,400
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	$ 13,585,000	$ 3,999,350	$ 17,584,350

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	REFUNDING SERIES-2016B		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 300,000	$ 32,183	$ 332,183
2020	305,000	25,582	330,582
2021	315,000	18,263	333,263
2022	320,000	9,600	329,600
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
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2040			
2041			
2042			
	$ 1,240,000	$ 85,628	$ 1,325,628

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES - 2017		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 700,000	$ 558,987	$ 1,258,987
2020	700,000	544,988	1,244,988
2021	700,000	530,987	1,230,987
2022	700,000	516,988	1,216,988
2023	700,000	502,987	1,202,987
2024	700,000	488,988	1,188,988
2025	700,000	474,112	1,174,112
2026	700,000	458,363	1,158,363
2027	700,000	440,862	1,140,862
2028	700,000	422,488	1,122,488
2029	700,000	403,237	1,103,237
2030	805,000	382,238	1,187,238
2031	805,000	357,081	1,162,081
2032	805,000	330,919	1,135,919
2033	900,000	303,750	1,203,750
2034	900,000	272,250	1,172,250
2035	900,000	239,625	1,139,625
2036	900,000	207,000	1,107,000
2037	900,000	173,250	1,073,250
2038	900,000	139,500	1,039,500
2039	900,000	105,750	1,005,750
2040	900,000	70,875	970,875
2041	900,000	36,000	936,000
2042			
	$ 18,215,000	$ 7,961,225	$ 26,176,225

See accompanying independent auditor’s report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES-2018 ROAD		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	$ 900,000	$ 271,175	$ 1,171,175
2020	350,000	313,150	663,150
2021	350,000	302,650	652,650
2022	350,000	292,150	642,150
2023	350,000	281,650	631,650
2024	350,000	271,150	621,150
2025	350,000	260,650	610,650
2026	350,000	248,400	598,400
2027	350,000	236,150	586,150
2028	350,000	223,900	573,900
2029	350,000	210,775	560,775
2030	350,000	197,650	547,650
2031	350,000	183,650	533,650
2032	350,000	169,650	519,650
2033	350,000	155,650	505,650
2034	380,000	141,650	521,650
2035	380,000	126,450	506,450
2036	380,000	111,250	491,250
2037	380,000	96,050	476,050
2038	385,000	80,850	465,850
2039	385,000	65,450	450,450
2040	385,000	49,088	434,088
2041	385,000	32,725	417,725
2042	385,000	16,362	401,362
	$ 9,245,000	$ 4,338,275	$ 13,583,275

See accompanying independent auditor's report.

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CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

Due During Fiscal Years Ending December 31	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	$ 4,175,000	$ 2,718,072	$ 6,893,072
2020	3,685,000	2,686,255	6,371,255
2021	3,765,000	2,599,151	6,364,151
2022	3,850,000	2,506,843	6,356,843
2023	3,960,000	2,410,221	6,370,221
2024	4,035,000	2,295,593	6,330,593
2025	4,090,000	2,175,237	6,265,237
2026	4,190,000	2,048,758	6,238,758
2027	4,295,000	1,903,417	6,198,417
2028	4,420,000	1,750,991	6,170,991
2029	4,535,000	1,591,287	6,126,287
2030	3,940,000	1,423,510	5,363,510
2031	3,765,000	1,273,006	5,038,006
2032	3,860,000	1,127,648	4,987,648
2033	2,830,000	976,076	3,806,076
2034	2,915,000	863,660	3,778,660
2035	2,980,000	745,113	3,725,113
2036	3,040,000	623,595	3,663,595
2037	3,115,000	496,342	3,611,342
2038	2,835,000	365,619	3,200,619
2039	2,510,000	246,375	2,756,375
2040	1,855,000	142,763	1,997,763
2041	1,285,000	68,725	1,353,725
2042	385,000	16,362	401,362
	$ 80,315,000	$ 33,054,619	$ 113,369,619

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Chambers County Improvement District No. 1 Unlimited Tax and Revenue Bonds - Series 2012	$ 4,775,000	$ 4,280,000
Chambers County Improvement District No. 1 Unlimited Tax Road Bonds - Series 2013	6,050,000	5,645,000
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2014	9,730,000	9,110,000
Chambers County Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2014A	7,390,000	6,600,000
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2015	12,180,000	11,045,000
Chambers County Improvement District No. 1 Unlimited Tax Road Refunding Bonds - Series 2016	2,955,000	2,775,000
Chambers County Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2016A	14,565,000	14,390,000
Chambers County Improvement District No. 1 Unlimited Tax and Revenue Refunding Bonds - Taxable Series 2016B	1,810,000	1,530,000
Chambers County Improvement District No. 1 Unlimited Tax Bonds - Series 2017	18,915,000	18,915,000
Chambers County Improvement District No. 1 Unlimited Tax Road Bonds - Series 2018	9,245,000	
TOTAL	$ 87,615,000	$ 74,290,000

See accompanying independent auditor's report.

Current Year Transactions					
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	December 31, 2018	Paying Agent
$	$ 120,000	$ 164,285	$ 4,160,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	264,743	5,495,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	230,000	362,646	8,880,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	265,000	227,700	6,335,000	Regions Bank Birmingham, AL
	475,000	337,956	10,570,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	185,000	85,800	2,590,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	805,000	464,800	13,585,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	290,000	37,402	1,240,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	700,000	464,757	18,215,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
9,245,000			9,245,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 9,245,000	$ 3,220,000	$ 2,410,089	$ 80,315,000	

See accompanying independent auditor's report.

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CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
DECEMBER 31, 2018

Bond Authority:

Amount Authorized by Voters	$ 250,000,000
Amount Issued	95,425,000
Remaining to be Issued	$ 154,575,000

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

Debt Service Fund cash and investment balances as of December 31, 2018:	$ 5,483,411
Average annual debt service payment for remaining term of all debt:	$ 4,723,734

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 569,582	$ 550,583	$ 829,809
Barge Terminal	1,466,143	896,362	968,899
Water Service	1,402,863	1,018,285	833,520
Wastewater Service	405,291	308,299	220,683
Penalty and Interest	180,792	36,204	197,410
Tap Connection and Inspection Fees	177,045	232,771	169,337
Miscellaneous Revenues	77,739	55,154	15,682
TOTAL REVENUES	$ 4,279,455	$ 3,097,658	$ 3,235,340
EXPENDITURES			
Professional Fees	$ 386,783	$ 418,232	$ 483,489
Contracted Services	756,317	464,487	289,445
Purchased Water Service	1,015,027	805,395	665,254
Utilities	69,715	54,774	43,306
Repairs and Maintenance	444,970	306,718	512,159
Other	191,416	234,897	148,913
Note Principal and Interest			
TOTAL EXPENDITURES	$ 2,864,228	$ 2,284,503	$ 2,142,566
NET CHANGE IN FUND BALANCE	$ 1,415,227	$ 813,155	$ 1,092,774
BEGINNING FUND BALANCE	5,049,582	4,236,427	3,143,653
ENDING FUND BALANCE	$ 6,464,809	$ 5,049,582	$ 4,236,427

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
$ 495,996	$ 956,729	13.3 %	17.7 %	25.7 %	17.0 %	28.4 %
1,180,639	1,306,248	34.3	28.9	29.9	40.7	38.8
823,209	794,731	32.8	32.9	25.8	28.4	23.6
376,090	227,470	9.5	10.0	6.8	13.0	6.7
21,388	20,542	4.2	1.2	6.1	0.7	0.6
	62,920	4.1	7.5	5.2		1.9
6,233	1,952	1.8	1.8	0.5	0.2	
$ 2,903,555	$ 3,370,592	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 621,739	$ 348,892	9.0 %	13.5 %	14.9 %	21.4 %	10.4 %
276,774	255,308	17.7	15.0	8.9	9.5	7.6
714,453	559,230	23.7	26.0	20.6	24.6	16.6
40,270	33,271	1.6	1.8	1.3	1.4	1.0
331,164	217,089	10.4	9.9	15.8	11.4	6.4
155,551	208,951	4.5	7.6	4.6	5.4	6.2
	528,020					15.7
$ 2,139,951	$ 2,150,761	66.9 %	73.8 %	66.1 %	73.7 %	63.9 %
$ 763,604	$ 1,219,831	33.1 %	26.2 %	33.9 %	26.3 %	36.1 %
2,380,049	1,160,218					
$ 3,143,653	$ 2,380,049					

See accompanying independent auditor’s report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 5,689,026	$ 5,455,918	$ 5,394,538
Miscellaneous Revenues	61,758	18,329	6,638
TOTAL REVENUES	$ 5,750,784	$ 5,474,247	$ 5,401,176
EXPENDITURES			
Tax Collection Expenditures	$ 48,967	$ 56,995	$ 32,911
Debt Service Principal	3,220,000	2,450,000	2,285,000
Debt Service Interest and Fees	2,415,839	2,022,452	2,218,289
Bond Issuance Costs			652,893
Payment to Refunded Bond Escrow Agent			49,000
TOTAL EXPENDITURES	$ 5,684,806	$ 4,529,447	$ 5,238,093
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 65,978	$ 944,800	$ 163,083
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$	$ 286,494	$ 19,330,000
Transfer to Refunded Bond Escrow Agent			(19,420,751)
Bond Premium			743,645
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ 286,494	$ 652,894
NET CHANGE IN FUND BALANCE	$ 65,978	$ 1,231,294	$ 815,977
BEGINNING FUND BALANCE	4,799,231	3,567,937	2,751,960
ENDING FUND BALANCE	$ 4,865,209	$ 4,799,231	$ 3,567,937
TOTAL ACTIVE RETAIL WATER CONNECTIONS	67	66	57
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	43	38	35

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
$ 4,463,842	$ 3,458,947	98.9 %	99.7 %	99.9 %	99.9 %	99.9 %
3,263	2,897	1.1	0.3	0.1	0.1	0.1
$ 4,467,105	$ 3,461,844	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 35,421	$ 41,668	0.9 %	1.0 %	0.6 %	0.8 %	1.2 %
1,560,000	1,140,000	56.0	44.8	42.3	34.9	32.9
2,242,830	1,958,449	42.0	36.9	41.1	50.2	56.6
	145,909			12.1		4.2
	165,000			0.9		4.8
$ 3,838,251	$ 3,451,026	98.9 %	82.7 %	97.0 %	85.9 %	99.7 %
$ 628,854	$ 10,818	1.1 %	17.3 %	3.0 %	14.1 %	0.3 %
$ 360,656	$ 7,768,146					
	(7,241,494)					
$ 360,656	$ 526,652					
$ 989,510	$ 537,470					
1,762,450	1,224,980					
$ 2,751,960	$ 1,762,450					
49	46					
29	33					

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

District Mailing Address - Chambers County Improvement District No. 1
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2018	Expense Reimbursements for the year ended December 31, 2018	Title
William Scott	05/2017 05/2021 (Appointed)	$ -0-	$ -0-	President
Daniel Orsini	05/2017 05/2021 (Appointed)	$ -0-	$ 2,449	Vice President
Craig Cavalier	05/2015 05/2019 (Appointed)	$ -0-	$ -0-	Secretary
Matt Fleming	05/2015 05/2019 (Appointed)	$ -0-	$ 642	Director
Robert Leiper	05/2017 05/2021 (Appointed)	$ -0-	$ 1,299	Director
Robert Jones	05/2017 05/2021 (Appointed)	$ -0-	$ -0-	Director
John Klein	05/2015 05/2019 (Appointed)	$ -0-	$ 3,180	Director

Notes: Directors are qualified as required by Local Government Code Section 375.063 and are appointed by the Chambers County Commissioners Court.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): August 21, 2018.

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

See accompanying independent auditor's report.

CHAMBERS COUNTY IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

Consultants:	Date Hired	Fees/Compensation for the year ended December 31, 2018	Title
Smith, Murdaugh, Little & Bonham, L.L.P.	09/10/03	$ 172,827	General Counsel
		$ 186,220	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	02/08/06	$ 19,500	Audit Related
		$ 22,000	AUP/Bond Related
Municipal Business Services	09/10/03	$ 15,934	Bookkeeper
Landev Engineers, Inc.	07/13/11	$ 90,830	Engineer
Masterson Advisors LLC	07/11/18	$ 165,465	Financial Advisor
Bob Ideus	09/10/03	$ -0-	Investment Officer
Municipal District Services	03/14/12	$ 294,782	Operator

See accompanying independent auditor's report.