PRELIMINARY OFFICIAL STATEMENT DATED JULY 9, 2020

Ratings (S&P Global Rating): "AA-" Underlying, "AA" Insured
See "MUNICIPAL BOND RATING"
and " BOND INSURANCE" herein

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 273735

INTEREST ON THE BONDS WILL NOT BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. SEE "TAX MATTERS" herein.

$7,920,000*
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
(Montgomery County, Texas)
SALES TAX REVENUE REFUNDING BONDS, SERIES 2020 (TAXABLE)

Dated: August 15, 2020 **Due: August 15, as shown on inside cover**

Payment Terms…Interest on the $7,920,000* East Montgomery County Improvement District Sales Tax Revenue Refunding Bonds, Series 2020 (Taxable) (herein the "Bonds" or "Series 2020 Refunding Bonds") will accrue from August 15, 2020 (the "Dated Date"), and will be payable on February 15 and August 15 of each year commencing February 15, 2021, until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be registered and delivered in name only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the paying agent and registrar for the Bonds (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" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas (see "THE BONDS – Paying Agent/Registrar").

Authority For Issuance…The Bonds are being issued by the East Montgomery County Improvement District (the "District") pursuant to the Constitution and general laws of the State of Texas, particularly, Chapter 1207, Texas Government Code (the "Refunding Act"). The Bonds and their terms are governed by the provisions of a Resolution (the "Resolution") adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. (See "THE BONDS – Authority for Issuance"). As permitted by the provisions of the Refunding Act, the Board, in the Resolution, delegated the authority to certain representatives of the District to execute a certificate establishing pricing and certain other terms of the Bonds (the "Pricing Certificate" and together with the Resolution).

The Bonds are special and limited obligations of the District, payable from and secured by a lien on and pledge of sixty percent (60%) of the revenues derived from the sales and use tax levied within the District for the benefit of the District and other funds described in the Resolution (the "Pledged Revenues") (see "THE BONDS"). The District has reserved the right to issue additional bonds secured on a parity basis with the Bonds under certain circumstances (see "THE BONDS – Additional Parity Bonds").

The Bonds are payable solely by a pledge of and lien on the Pledged Revenues and not from any other revenues, properties or income of the District including, but not limited to, the proceeds of any sales and use tax levied by the District that is in excess of the Pledged Revenues or the sales tax of any other entity, including, but not limited to, economic development zones created by the District (see "INVESTMENT CONSIDERATIONS – Economic Development Zone Revenues Not Pledged". Neither the State of Texas, Montgomery County, nor any political corporation, subdivision, or agency of the State of Texas shall be obligated to pay the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, the District (other than the Pledged Revenues and other funds described in the Resolution), or any municipality, political corporation, subdivision, or agency thereof is pledged to the payment of the principal of or interest on the Bonds (see "THE BONDS – Security and Source of Payment").

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").

BAM
BUILD AMERICA MUTUAL

See Maturity Schedule on the Inside Cover

Delivery…It is expected that the Bonds will be available for delivery through DTC on August 27, 2020.

Legality…The Bonds are offered for delivery when, as and if issued and received by the underwriter listed below (the "Underwriter") and subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Marks Richardson PC, Houston, Texas, as Bond Counsel, and by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Limited Disclosure Counsel.. The Underwriter will be advised on certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, as Underwriter's Counsel.

RAYMOND JAMES

*Preliminary, subject to change

MATURITY SCHEDULE*

Principal Amount*	Maturity	Interest Rate	Yield (a)	Principal Amount*	Maturity	Interest Rate	Yield (a)
$275,000	2021			$415,000	2031 (b)		
$290,000	2022			$435,000	2032 (b)		
$300,000	2023			$455,000	2033 (b)		
$310,000	2024			$480,000	2034 (b)		
$320,000	2025			$505,000	2035 (b)		
$330,000	2026			$530,000	2036 (b)		
$345,000	2027			$560,000	2037 (b)		
$360,000	2028			$600,000	2038 (b)		
$375,000	2029			$635,000	2039 (b)		
$400,000	2030						

(a) The initial reoffering yield represent the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. Accrued interest on the Bonds from August 15, 2020, is to be added to the price.

(b) The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at a price of par plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL BONDS LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE BONDS AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE BONDS LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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 A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

* Preliminary, subject to change

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The District: The East Montgomery County Improvement District (the "District") is a governmental agency, body politic and corporate and political subdivision of the State of Texas, located 20 miles northeast of downtown Houston along U.S. Highway 59/I-69 in eastern Montgomery County, Texas. The District was created pursuant to special legislation, which is codified at Chapter 3846, Texas Special District Local Laws Code (the "Act"). The District encompasses an area of approximately 158 square miles. The territory of the District is coextensive with the territory as of January 1, 1997, of the New Caney Independent School District and the Splendora Independent School District except that the District does not include: (1) any part of the City of Houston as it existed on January 1, 1997; and (2) any portion of the New Caney Independent School District as it exists on or after September 1, 2001, that is located in Harris County. (See "INTRODUCTION - DESCRIPTION OF THE DISTRICT").

The Bonds: The Bonds are being issued as $7,920,000* Sales Tax Revenue Refunding Bonds, Series 2020 (Taxable) (the "Bonds"). Bonds mature as described on the insider cover page of this Official Statement (see "THE BONDS – Description of the Bonds").

Payment of Interest: Interest on the Bonds accrues from August 15, 2020, and is payable February 15, 2021, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Optional Redemption").

Redemption: The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at a price of par plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

Authority for Issuance: The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, particularly, Chapter 1207, Texas Government Code (the "Refunding Act"). The Bonds and their terms are governed by the provisions of a Resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. As permitted by the provisions of the Refunding Act, the Board, in the Resolution, delegated the authority to certain representatives of the District to execute a certificate establishing pricing and certain other terms of the Bonds (the "Pricing Certificate" and together with the Resolution.)

Security for the Bonds: The Bonds and any Additional Parity Bonds are special and limited obligations of the District, payable from and secured by a lien on and pledge of the proceeds of sixty percent (60%) of the revenues derived from the sales and use tax levied within the District for the benefit of the District and other funds described in the Resolution (the "Pledged Revenues") ("THE BONDS – Security and Source of Payment"). For a description of the conditions under which the District can issue Additional Parity Bonds, see "THE BONDS – Additional Parity Bonds".

Use of Proceeds: Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to refund certain of the District's outstanding bonds in an aggregate principal amount of $6,795,000* (the "Refunded Bonds") in order to achieve present value savings in the District's debt service expense. See "PLAN OF FINANCING."

Ratings: The Bonds are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). See "MUNICIPAL BOND RATING".

Municipal Bond Insurance: The Bonds will receive an "AA" rating from S&P by virtue of a municipal bond insurance policy (to be purchased by the District) insuring the timely payment of principal and interest on the Bonds which will be provided by BAM. See "BOND INSURANCE".

*Preliminary, subject to change

Book-Entry-Only System: The Bonds will be registered and delivered in name 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 principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, 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").

Payment Record: The District has never defaulted on the payment of its principal and interest or on any of its previously issued obligations.

Investment Considerations: Generally, sales tax revenues are considered to be subject to greater fluctuations than ad valorem tax and utility revenues. Sales tax revenues in general, including the sales tax revenues of the District, are subject to fluctuations depending upon the state of the economy nationally and more specifically the state of the economy of Montgomery County, Texas. Total sales taxes imposed are governed by the Texas Constitution and statutes. Without an election and/or legislative changes, the District cannot increase its rate of taxation if sales tax collections decrease. The District does not have any ad valorem taxing authority. While the District is able to impose certain other taxes and fees, the District has not pledged same to the repayment of the Bonds. The Pledged Revenues (as defined herein) securing the Bonds are a function solely of a portion of the District's sales tax revenues.

Additionally, it should be recognized that the Houston metropolitan area has during times of lower prices for oil and natural gas experienced economic downturns including increases in unemployment, business failures, and slow absorption of commercial/retail/industrial building space and home building. A continuation of such lower oil and natural gas prices for a prolonged period of time could adversely affect the level of economic activity within the District and therefore the Pledged Revenues. (See "INVESTMENT CONSIDERATIONS – Economic Factors").

Tax Matters: Interest on the Bonds will not be excludable from gross income for federal income tax purposes. (See "TAX MATTERS").

Infectious Disease Outlook (COVID-19): The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "RISK FACTORS—Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by the President of the United States the Governor of Texas and various local official, including the Chair of the Board of Directors of the District. Such actions are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate (including, but not limited to, limiting the capacity of businesses that generate sales taxes) or interact with each other, which affects economic conditions 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 conditions and financial markets worldwide and within Texas and the Houston area. Such adverse economic conditions, if they continue, could result in business interruptions, bankruptcies and declines in retail sales and sales tax revenues.

Further, the economy of the Houston area is particularly dependent on the price of oil and gas. Since the Pandemic began, demand for oil and gas has been impacted by factors such as an increase in working from home and a decline in travel generally. The District cannot predict how long the Pandemic or these trends will persist and whether or when the demand for oil and gas will return to levels seen prior to the beginning of the Pandemic.

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

DISTRICT ADMINISTRATION

The District's Board of Directors:

Board of Directors(a)

Brenda Webb, Chairman
Stephen Carlisle, Secretary
Katherine Persson, Assistant Secretary
Fred Wetz, Treasurer/Investment Officer
Martin Zepeda, Assistant Treasurer/Assistant Secretary
Leonard Rogers, Director
Richard Tramm, Director

(a) The office of Director, Position 3 is currently vacant. The District will hold an election on November 3, 2020 to fill such vacancy. Subsequent to the election, it is anticipated that all offices on the District's Board of Directors will be filled, including the currently vacant office of Vice Chair.

The District's Administrative Staff:

Name and Office	Position	Length of Service
Frank McCrady	President/CEO	17 Years 8 Months
Joe O'Connell	Chief Financial Officer	1 Year 3 Months
Sandy Seelye	Special Event Coordinator	20 Years 8 Months
Kelley Mattlage, PCED	Chief Communications	6 Years 3 Months

Consultants and Advisors:

Bookkeeper……… ....……...………………………………………………Municipal Accounts & Consulting, L.P.
Houston, Texas

Auditors…………………...................... ………………………………………………McCall Gibson Swedlund Barfoot PLLC
Houston, Texas

General Counsel and Bond Counsel…………… .... ……………………… Marks Richardson PC
Houston, Texas

Limited Disclosure Counsel…………… ....……………………… Orrick, Herrington & Sutcliffe LLP
Houston, Texas

Financial Advisor…………………………...………….The GMS Group, L.L.C.
Houston, Texas

OFFICIAL STATEMENT

relating to

$7,920,000*

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SALES TAX REVENUE REFUNDING BONDS, SERIES 2020 (TAXABLE)

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $7,920,000* East Montgomery County Improvement District Sales Tax Revenue Refunding Bonds, Series 2020 (Taxable) (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein (see "THE BONDS").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, The GMS Group, L.L.C., Houston, Texas.

DESCRIPTION OF THE DISTRICT

The District is a governmental agency, body politic and corporate, and political subdivision of the State of Texas, created pursuant to and operating under Chapter 3846, Special District Local Laws Code (the "Act"). The District was created to promote, develop, encourage, and maintain employment, commerce, economic development, and public welfare in the eastern area of Montgomery County, Texas (the "County").

The District encompasses an area of approximately 158 square miles. The territory of the District is coextensive with the territory as of January 1, 1997, of the New Caney Independent School District and the Splendora Independent School District except that the district does not include: (1) any part of the City of Houston as it existed on January 1, 1997; and (2) any portion of the New Caney Independent School District as it exists on or after September 1, 2001, that is located in Harris County. The District is governed by an eight-member Board of Directors and employs permanent staff which includes a President/CEO. The Commissioners Court of the County appointed the eight initial directors. All current directors were popularly elected in elections held within the District for such purpose. Directors serve staggered four-year terms that expire in May of even-numbered years.

In September 1997, the voters of the District authorized the District's Board of Directors to levy and collect a one percent (1%) sales and use tax within the District and in November 2009, the voters of the District authorized the District's Board of Directors to levy and collect an additional one-half of one percent (1/2%) sales and use tax within the District, subject to the applicable provisions of the Texas Tax Code and the Act (the sales tax levied pursuant to such elections is referred to herein as, the "Sales Tax"). The Board of Directors of the District has levied all of the authorized Sales Tax. The District relies on this Sales Tax for the funding of substantially all of its programs, functions and services. **Sixty percent (60%) of the revenues derived from the Sales Tax will be pledged to the payment of the Bonds and any Additional Parity Bonds. The remaining amount of the Sales Tax will not be pledged to the payment of the Bonds. Further, the District has, in accordance with the Act, created economic development zones, which may collect additional sales and use and other taxes. No revenues of such zones have been pledged to the repayment of the Bonds or any Additional Parity Bonds (see "INVESTMENT CONSIDERATIONS – Economic Development Zone Revenues Not Pledged").**

DISTRICT PROGRAMS AND ACTIVITIES

Created by the Texas Legislature in 1997, the mission of the District is to promote, develop, encourage and maintain employment, commerce, economic development and public welfare in the eastern area of Montgomery County, Texas. The District is governed by an eight-member Board of Directors elected by voters in the District and employs a paid permanent staff, including Frank McCrady who serves as the President/CEO.

Currently, there are four main areas of focus for the District's activities:

Economic Development
Community Development
Educational Development
Building Facility Ownership and Management

In the area of Economic Development, the District is recruiting businesses to relocate to the District and utilize the local labor pool; helping existing commercial/retail/and industrial businesses to expand with a focus on diversification of activities; providing assistance in infrastructure development so that companies relocating or expanding have an easier time with utility or transportation changes that may be required; and responding to business inquiries on the facts and attributes of East Montgomery County. The District has developed and continues to expand an industrial park within the District.

*Preliminary, subject to change

Community Development activities include providing grants to non-profit organizations assisting in their outreach and service goals to the community; supporting local law enforcement and fire organization with needs outside the normal budgeted items; funding high visibility projects for the local Chamber of Commerce as well as park and beautification projects; and coordinating two festivals each year that serve local school children's needs for supplies and family activities.

The Educational Development programs have had the impact of increasing the number of students from the District accessing college level course work from 21% prior to 2000 to 48% in 2019. These activities included providing up to $1,600.00 scholarship to every high school graduate, whether graduating from New Caney ISD or Splendora ISD, private schools, or home school, for study at the college level. The District created a Scholarship Foundation to administer the scholarship program and to raise funds to establish a permanent endowment fund. The scholarship endowment is now in excess of $1.4 million.

The District owns and operates a 33,000 square foot multiuse facility, on a 12.85 acre site, which serves as a positive standard for high quality building within the District. The building houses the District offices as well as the Small Business Development Center, the Academy of Lifelong Learning and the Chamber of Commerce and is also available for special group activity events such as private business meetings, receptions and weddings. The District (along with Montgomery County) financed a public library located on a site adjacent to the District's 33,000 square foot building. Additionally, the District owns a 2.4 acre site that is available for additional office/public facility building development. The District also owns and leases buildings in its Industrial Park and has a building under construction within its Industrial Park.

THE BONDS

General:

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

Description of the Bonds:

The Bonds are dated August 15, 2020, and mature, subject to prior redemption, on August 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each February 15 and August 15, commencing February 15, 2021, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be registered and delivered in name 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.** Principal of, premium, if any, 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" herein.

Authority for Issuance:

The Bonds are being issued by the District pursuant to the Constitution of the State of Texas, including particularly, the Refunding Act. The Bonds and their terms are governed by the provisions of the Resolution.

Security and Source of Payment:

The Bonds and the Additional Parity Bonds, if any are special and limited obligations of the District, payable from and secured by a lien on and pledge of sixty percent (60%) of the revenues derived from the Sales Tax levied within the District for the benefit of the District and other funds described in the Resolution (collectively, the "Pledged Revenues"). **The Bonds do not constitute a debt of the State of Texas, Montgomery County, or any agency, political corporation or subdivision thereof other than the District and the District's obligation to repay the Bonds is limited to the Pledged Revenues as described herein. Neither the full faith and credit of the State of Texas, Montgomery County, or any agency, political corporation or subdivision thereof, has been pledged for the payment of the Bonds.**

Pledge Under the Resolution:

The District covenants and agrees that the Pledged Revenues are irrevocably pledged to the payment and security of the Bonds and any Additional Parity Bonds (hereinafter defined) that may hereafter be issued by the District. The Resolution further provides that any such Additional Parity Bonds shall be secured by and made payable, in whole or from time to time in part, from a lien on or pledge of the Pledged Revenues equal to and on a parity with the lien on and pledge of the Pledged Revenues in favor of the Bonds in accordance with the terms of the Resolution and any resolution or order by the District in connection with the issuance of the Additional Parity Bonds, which lien shall be valid and binding without any further action by the District and without any filing or recording with respect thereto except in the records of the District

Debt Service Reserve Fund:

The Resolution confirms the establishment of the Debt Service Reserve Fund (the "Debt Service Reserve Fund") to be maintained by the District as security for the payment of the Bonds. The total amount to be accumulated and maintained in such Debt Service Reserve Fund is an amount equal to the least of (1) the maximum annual debt service requirements on the Bonds and any Additional Parity Bonds, (2) 125% of the average debt service requirements on the Bonds and any Additional Parity Bonds, and (3) 10% of the stated principal amount of the Bonds and any Additional Parity Bonds then outstanding (such amount, the "Required Reserve"). The Required Reserve shall be recalculated upon each issuance of Additional Parity Bonds and when any Bonds or Additional Parity Bonds are refunded, redeemed, or otherwise discharged. Such Required Reserve is to be fully funded as of the date of closing of the Bonds funded solely from cash currently on hand.

No Outstanding Parity Bonds

After the issuance of the Bonds and the refunding of currently outstanding bonds, there will be no other obligations of the District secured by the Pledged Revenues (SEE "PLAN OF FINANCING").

Additional Parity Bonds:

The District expressly reserves the right to issue Additional Parity Bonds upon such terms and conditions as the District deems advisable; provided, however, that it shall be a condition precedent to the issuance of such Additional Parity Bonds, other than refunding bonds, that the Pledged Revenues received by the District for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months out of the eighteen (18) months next preceding the adoption of the resolution authorizing the issuance of such proposed Additional Parity Bonds, shall, for so long as any of the Bonds or Additional Parity Bonds are outstanding be not less than 1.45 times the annual average of the principal and interest payments scheduled to become due on the remaining outstanding Bonds and Additional Parity Bonds, if any, and estimated to become due on such proposed Additional Parity Bonds.

General Covenant Regarding the Sales Tax:

So long as any of the Bonds or Additional Parity Bonds shall remain outstanding, the District has covenanted and agreed within the Resolution that, unless required by applicable law, none of the District, the Board of Directors or any Person acting under the control or direction of the District shall take, suffer or permit, or fail or omit to take, any action which would or may (i) result in the repeal, abolition or reduction of the Sales Tax to a rate less than is levied as of the date of the Bond Resolution, or (ii) impair the pledge of and lien on the Pledged Revenues. The covenant in (i) above shall be inapplicable to any reduction or partial repeal or abolition of the Sales Tax if such modified Sales Tax would have generated Pledged Revenues for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months out of the eighteen months next preceding same, would have provided at least 3.75 times the maximum annual principal and interest payments then scheduled to become due on the then outstanding Bonds and Additional Parity Bonds, if any (collectively, the "Parity Bonds").

The District also covenants and agrees that, if, subsequent to the issuance of the Bonds, the District is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the Resolution was adopted, then the District will take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

The legislature has authorized an annual three-day sales tax holiday and the District participates on a continuing basis in these holidays. Participation in these or other State authorized sales tax holidays will not be considered a breach of the above-described covenants or any provision of the Resolution.

Optional Redemption:

The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot, or other customary method of random selection, the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date.

Defeasance:

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable laws now or hereafter in effect, including, without limitation, the Refunding Act.

The Refunding Act currently provides that the Bonds may be defeased by a deposit with the Comptroller of Public Accounts of the State of Texas, a paying agent for any of the obligations to be defeased, or certain other commercial banks and trust companies described in the Refunding Act, which deposit may be invested only in obligations that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of the defeased Bonds. The deposit may be invested and reinvested in (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) 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 defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (3) 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 defeasance, are rated as to investment quality by a nationally recognized investment firm not less than AAA or its equivalent.

There is no assurance that the current law will not be changed in a manner which permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no requirement to maintain investments of a particular investment quality or rating if investments are downgraded after initial establishment of an escrow account.

Flow of Funds:

The Resolution provides for the establishment and maintenance of the following funds and accounts for the application of the Pledged Revenues, with all such Pledged Revenues flowing first to the General Fund:

Priority	Fund
First Priority	To make transfers periodically, but not less frequently than monthly, into the Debt Service Fund of such amounts, if any, as shall be necessary to pay Debt Service on the Bonds and any Additional Parity Bonds during the remainder of the then current Fiscal Year;
Second Priority	To make transfers into the Debt Service Reserve Fund, when and as required, of such amounts, if any, as shall be necessary to replenish and to maintain therein the Required Reserve.
Third Priority	To make periodic transfers into a debt service fund or other funds created for the benefit of any bonds or other obligations issued by the District that are secured by a subordinate lien on the Pledged Revenues or into one or more bond redemption funds as may be required by a resolution or resolutions authorizing Additional Parity Bonds.

Amendments and Supplements to the Resolution

The District may, without the consent of, or notice to, any insurer or holders of the Parity Bonds, enter into amendments or supplements to the Resolution:

(a) to provide for the issuance, sale and delivery of Additional Parity Bonds in conformity with the requirements and restrictions of the Resolution,

(b) to cure any ambiguity, inconsistency or formal defect or omission in the Resolution, and/or

(c) to modify the Resolution or to add any provisions or changes thereto that do not materially adversely affect the interest of the holders of the Parity Bonds, including, but not limited to, (i) amending the definition of "Pledged Revenues" to provide for a pledge of and lien in favor of the Parity Bonds of more than sixty percent (60%) of the revenues derived from the Sales Tax, or (ii) provide a pledge of additional funds or other assets to secure the Parity Bonds.

The Resolution and the rights and obligations of the District and of the holders of the Parity Bonds may also be modified or amended at any time by an amendment or supplement to the Resolution with the written consent of the holders of at least a majority of the aggregate principal amount of the Parity Bonds then Outstanding. No such modification or amendment shall (i) extend the maturity of any Parity Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Parity Bond, without the express consent of the holder of such Parity Bond, or (ii) permit the creation by the District of any pledge or lien upon any portion of the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Parity Bonds (except as otherwise permitted by the Resolution), or reduce the percentage of holders of Parity Bonds required to consent to the amendment of the Resolution (if such consent is required).

Any consent of a holder to an amendment or supplement to the Resolution shall be binding upon the holder of each Parity Bond giving such consent and on any subsequent holder (whether or not such subsequent holder has notice thereof), unless such consent is revoked in writing by the holder giving such consent or a subsequent holder by filing such revocation with the District prior to the supplement or amendment becoming effective.

The District may also amend its continuing disclosure undertaking with respect to the Bonds as described under "CONTINUING DISCLOSURE OF INFORMATION."

Paying Agent/Registrar:

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. In the Resolution, 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 and doing business under the laws of the United States of America or any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered within the United States Bonds and Exchange Commission.

Transfer, Exchange and Registration:

The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM". So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar for the purpose of maintaining the Bond Register on behalf of the District, and the Paying Agent/Registrar shall provide for the registration, transfer and exchange of Bonds in accordance with the terms of the Resolution.

Record Date for Interest Payment:

The record date ("Record Date") for the payment of interest on the Bonds on any interest payment date means the last business day of the month preceding such interest payment date.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest Bonds 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 Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other Bonds transactions in deposited Bonds, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of Bonds. Direct Participants include both U.S. and non-U.S. Bonds 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 Bonds 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. Bonds brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Bonds 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, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Bonds 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

PLAN OF FINANCING

Purpose:

The Bonds are being issued to advance refund $6,795,000 (preliminary, subject to change) principal amount of the District's Sales Tax Revenue Bonds, Series 2009 (Taxable) (the "Refunded Bonds") in order to produce present value savings in the District's annual debt service expense, and to pay the costs of issuance of the Bonds.

No bonds secured on parity with the Bonds will remain outstanding after the issuance of the Bonds and the refunding of the Refunded Bonds. All of the Refunded Bonds will be redeemed at par at the earlier of their respective maturity dates or in advance of their respective maturities on August 15, 2022.

Outstanding Bonds:

The table below summarizes the District's previously issued series of bonds as of August 27, 2020.

Original Principal Amount	Series	Principal Amount Outstanding	Principal Amount Outstanding After the Bonds
$7,225,000	Sales Tax Revenue Bonds, Series 2000	$0	$0
$7,635,000	Sales Tax Revenue Bonds, Series 2009 (Taxable)	$6,795,000	$0
$4,760,000	Sales Tax Revenue Bonds Refunding, Series 2010	$0	$0
$19,620,000		$6,795,000	$0

Refunded Bonds:

Proceeds of the Bonds will be applied to refund $6,795,000 (preliminary, subject to change) in principal amount of the District's Sales Tax Revenue Bonds, Series 2009 (Taxable) (the "Series 2009 Bonds"), and to pay the costs of issuance of the Bonds. The principal amounts and maturity dates of the Series 2009 Bonds to be refunded are set out in the table below, all with maturity dates of August 15 in the years shown.

Series 2009 Bonds

Year	Principal Amount	
2021	$140,000	
2022	$155,000	
2023	$170,000	
2024	$185,000	
2025		
2026		
2027		
2028		
2029	$1,215,000	(a)
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039	$4,930,000	(b)

All of the Refunded Bonds will be called for redemption on the earlier of their respective maturity dates or on August 15, 2022.

(a) Represents the entire $1,215,000 Term Bond with mandatory sinking fund redemption payments on August 15, 2025 through and including the 2029 stated maturity date.

(b) Represents the entire $4,930,000 Term Bond with mandatory sinking fund redemption payments on August 15, 2030 through and including the 2039 stated maturity date.

Escrow Agreement

The Refunded Bonds and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with Zions Bancorporation, N.A, as escrow agent (the "Escrow Agent").

The Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") dated to be effective on the date of delivery of the Bonds. The Resolution further provides that from the proceeds of the sale of the Bonds, together with certain other lawfully 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 a portion of such funds will be used to purchase United States Treasury Obligations or other obligations authorized by the Refunding Act (the "Escrowed Bonds") scheduled to mature at such times and in such amounts as will be sufficient (together with any cash held in the Escrow Fund) to pay, when due, the principal of and interest of the Refunded Bonds. At the time of delivery of the Bonds to the Underwriter, Robert Thomas CPA, LLC, will verify mathematical calculations to the effect that funds are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS." 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 or any Additional Parity Bonds.

Defeasance of the Refunded Bonds

By the deposit of the Escrowed Bonds and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have affected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such a deposit, and in reliance upon the verification report of Robert Thomas CPA, LLC, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Par Amount of Bonds	$
Plus Bond Premium	$
Less Bond Discount	$
Plus District Cash	$
Accrued Interest	$
Total Sources of Funds	$

Uses of Funds:	
Deposit to Escrow Fund	$
Underwriter's Discount	$
Costs of Issuance	$
Accrued Interest	$
Surplus Sources	$
Total Uses of Funds	$

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's outstanding bonds less the debt service on the Refunded Bonds and the estimated debt service requirements for the Bonds.

Fiscal Year Ending 6/30	Outstanding Debt Service Requirements	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds		Total Debt Service Requirements*
			Principal*	Interest*	
2021	$578,056	$578,056	$275,000	$197,171	$472,171
2022	$585,356	$585,356	$290,000	$187,068	$477,068
2023	$591,444	$591,444	$300,000	$183,762	$483,762
2024	$596,669	$596,669	$310,000	$179,952	$489,952
2025	$601,031	$601,031	$320,000	$175,519	$495,519
2026	$608,781	$608,781	$330,000	$170,463	$500,463
2027	$615,306	$615,306	$345,000	$164,259	$509,259
2028	$625,606	$625,606	$360,000	$157,255	$517,255
2029	$634,375	$634,375	$375,000	$149,299	$524,299
2030	$646,613	$646,613	$400,000	$140,824	$540,824
2031	$655,413	$655,413	$415,000	$131,584	$546,584
2032	$662,225	$662,225	$435,000	$121,583	$556,583
2033	$672,050	$672,050	$455,000	$110,664	$565,664
2034	$684,556	$684,556	$480,000	$98,789	$578,789
2035	$699,413	$699,413	$505,000	$85,781	$590,781
2036	$711,288	$711,288	$530,000	$71,843	$601,843
2037	$725,181	$725,181	$560,000	$55,466	$615,466
2038	$745,763	$745,763	$600,000	$38,162	$638,162
2039	$762,369	$762,369	$635,000	$19,622	$654,622
TOTALS	**$12,401,495**	**$12,401,495**	**$7,920,000**	**$2,439,066**	**$10,359,066**

Calculation of Coverage for the Issuance of Additional Bonds:

Total Sales Tax Collection for Fiscal Year Ended June 30, 2019 .... $10,674,781
Pledge Revenue for Debt Service per the Resolution .... $6,404,868 (a)

Maximum Annual Debt Service (2039) $654,622
Coverage of Maximum Requirements by Fiscal Year Ending June 30, 2019 Sales Tax Collection .... 9.78 x

Average Annual Debt Service per the Resolution $545,214
Coverage of Average Annual Debt Service by Fiscal Year Ending June 30, 2019 Sales Tax Collection .... 11.74 x

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(a) The $10,674,781 figure above represents the audited tax collections for the Fiscal Year Ended June 30, 2019 tax collections. The $6,404,868 figure above equals 60% of the District's audited sales tax collection for the Fiscal Year Ended June 30, 2019. Pro forma coverage of maximum annual debt service requirements for the years 2015 through 2018 averaged 5.87 x, assuming the pledged revenues to be equal to 60% of sales tax collections

DISTRICT INVESTMENTS

For a list of District investments as of June 30, 2019 please see "Note 5 – Deposits and Investments" on pages 21 through 23 of the District's June 30, 2019 Annual Financial Report which is attached hereto as Appendix B.

*Preliminary, subject to change.

THE SALES TAX

Source and Authorization:

The "Sales Tax" is a 1.5% limited sales and use tax (except that in certain areas of the District, the tax is limited to 1%) imposed on all taxable transactions within the District as authorized by the Act and approved by the voters within the District at elections called for such purpose and held on August 9, 1997 and November 3, 2009. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the District. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable items purchased, leased or rented from a retailer within the District. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by Chapter 323, Texas Tax Code except to the extent that there is conflict with the Act, in which case the provisions of the Act control, and except Sections 323.401 through 323.406, and Section 323.505, Tax Code, do not apply. In addition, Subtitles A and 13, Title 3 and Chapter 151, Tax Code, govern the administration and enforcement of the Sales Tax under the Act.

In general, a sale of a taxable item is deemed to occur within a political subdivision, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a political subdivision, and the tax is levied there if the item is shipped from outside the state to a point within the political subdivision.

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6-1/4% sales and use tax against essentially the same taxable items and transactions as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area is 8 1/4%. The current aggregate sales and use tax levied in the majority of the District is 8 1/4%, of which 6 1/4% is levied by the State, 1.5% is levied by the District and .5% is levied by other municipalities or political subdivisions located within Montgomery County; provided, however, that in certain areas within the District, the District is only able to levy a 1% sales and use tax and other political subdivisions levy a 1% sales and use tax. Under current law, any additional Sales Tax levied by other governmental subdivisions, including the District or subdivisions thereof, cannot exceed 2%.

The District has generally covenanted that, while any Bonds are outstanding, it will take all reasonable and legal means and actions permissible to cause the Sales Tax, at the rate currently levied, to be levied and collected continuously throughout the boundaries of the District, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted; and to cause no reduction, abatement or exemption in the Sales Tax below the rate currently levied until all the Bonds and any Additional Parity Bonds have been paid in full or until they are lawfully defeased in accordance with the Resolution. However, if certain conditions related to the level of Pledged Revenues generated can be satisfied, such covenant is inapplicable. (See “THE BONDS – General Covenant Regarding the Sales Tax”).

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities, political subdivisions and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under nonsales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities, political subdivisions and counties, including the tax base against which the Sales Tax is levied. Political subdivisions may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The District has opted to repeal the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while political subdivisions, on a local option basis, may tax such use. The District has opted to tax the residential use of gas and electricity.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing $500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than $500 sales and use tax dollars in a calendar month or less than $1,500 in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than $1,000 in a calendar year submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. In 1989, the Comptroller initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The District participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond. (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A political subdivision may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1 1/4% of the amount of the prepayment in addition to the 1/2% allowed for the cost of collecting the sales and use tax.

Sales Tax Data:

Historical information regarding sales within the District which are subject to the State sales and use tax are presented herein, and while the District has no reason to expect that receipts of the Sales Tax will ever be insufficient to pay its outstanding debt secured by the Pledged Revenues (i.e. a portion of the Sales Tax), it makes no representation that, over the term of the Bonds, sales and services within the District will provide sufficient Sales Tax receipts to pay the Bonds and Additional Parity Bonds, if any, which are on a parity with respect to the use of the proceeds from the Sales Tax.

The following table presents the District’s revenues from the Sales and Use tax for the fiscal years 2015 – 2020; such figures are unaudited and are presented for “informational purposes only”. They depict the area’s economic activity and the District’s revenue stream that is available to fund District operations and secure the District’s outstanding bonds. Because of the payment schedule from the Comptroller, the revenue for any month will typically result in a cash receipt from the Comptroller’s office 2 months later; such figures will vary from the sales tax revenues reflected in the District’s audited financials from year to year.

Deposit	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
July	$1,002,480	$876,294	$785,700	$654,373	$562,807	$517,458
August	$1,198,710	$1,063,631	$942,076	$885,949	$809,302	$513,671
September	$1,074,452	$869,959	$755,418	$695,155	$612,846	$734,673
October	$1,011,375	$865,125	$703,975	$690,420	$618,199	$577,090
November	$1,192,566	$1,117,661	$1,072,065	$906,070	$804,652	$555,571
December	$1,156,315	$880,037	$848,274	$661,732	$586,796	$958,961
January	$1,024,186	$902,151	$862,590	$789,496	$598,931	$515,857
February	$1,513,529	$1,194,479	$1,286,777	$1,068,368	$994,676	$503,901
March	$1,017,693	$834,421	$724,264	$675,026	$570,024	$820,255
April	$909,495	$869,890	$752,527	$662,001	$603,978	$612,580
May	$1,225,597	$1,197,729	$1,181,969	$1,016,705	$963,539	$552,684
June	$1,083,231	$1,000,745	$905,095	$725,512	$718,303	$788,285
Annual Totals	**$13,409,630**	**$11,672,122**	**$10,820,730**	**$9,430,807**	**$8,444,053**	**$7,650,986**

In August 1997, the voters of the District authorized the District's Board of Directors to levy and collect one percent sales and use tax within the District, subject to the applicable provisions of the Texas Tax Code. In November 2009, the voters of the District authorized the District's Board of Directors to levy and collect an additional one-half of one percent sales and use tax within the District, subject to the applicable provisions of the Texas Tax Code. The District relies on this tax for the funding of substantially all of its programs, functions and services. Sixty percent (60%) of the revenues derived from the Sales Tax are pledged to the payment of the Bonds and any Additional Parity Bonds.

Principal Sales Tax Collectors:

According to information compiled by the District as of December 2019 there are approximately 1,386 sales tax collecting entities within the boundaries of the District. The two Wal-Mart stores and Home Depot are the largest collectors of sales tax within the District; the District estimates that these three taxpayers combined provide approximately 9% of the annual District sales tax revenues. In the event that one of these three of these stores were to close or significantly reduce operations, the District could experience an adverse impact on revenues. According to data supplied by the Texas Comptroller to the District, other major sales tax collectors within the District include but not limited to the following: Academy Sporting Goods Store, Pet Smart, Tractor Supply, Big Lots, Entergy Corporate Accounts, Hallett Materials, Sherwin Williams, 2 Krogers, Walgreen’s, CVS, McDonalds, Schlotzky’s Restaurant, Jack in the Box, Sonic, Pizza Hut, KFC/Taco Bell, Popeye’s, Burger

King, Brewingz Restaurant, Taco Cabana, Panera Bread Restaurant, a Gringo's Mexican Restaurant, Smash Burger, New Valley Ranch, Chili's, TJ Maxx, Ross Stores, Burlington Coat Factory, Hobby Lobby, Express Family Clinic, Verizon Store, T-Mobil Store, Cinemark Theatre, the Hoffbrau Restaurant, Olive Garden, Buffalo Wild Wings, Bed, Bath, and Body Works, Yummy Tummy Pastries, Sub Zero Nitrogen, and Kung Fu Tea. In addition, the retail industry is very competitive and price sensitive and as a result the dynamics of the marketplace outside the District could result in competing facilities drawing sales away from establishments located in the District.

INVESTMENT CONSIDERATIONS

The Sales Tax:

The security for the Bonds is certain receipts of the Sales Tax received by the District. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the District. Sales and use tax receipts, unlike other taxes levied by political subdivisions, immediately reflect changes in the economic conditions of a political subdivision. The Sales Tax revenues are ultimately based on economic activity in the District. While to date the District has not seen material adverse effects to its Sales Tax collections since the beginning of the Pandemic and ensuing global economic downturn, historic activity may not be an indicator of future Sales Tax receipts.

Historically, the Comptroller has remitted sales and use tax allocation checks to political subdivisions on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8 1/4%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the District's boundaries is 8 1/4% in most areas (including State and any City or other governmental subdivision taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the District has no way of predicting any such increase or the affect that would have on the Sales tax which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied; and the District, except in certain limited instances described below, has no control over the components of the tax base.

Tax receipts received by the District are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Sales Tax is collected by the Comptroller and remitted to the District. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes (see "THE SALES TAX"). The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, and individual purchasing practices make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.

Historical information regarding sales within the District which are subject to the State sale and use tax are presented herein, and while the District has no reason to expect that receipts of the Sales Tax will ever be insufficient to pay its outstanding Sales Tax secured debt, it makes no representation that, over the term of the Bonds, sales and services within the District will provide sufficient Sales Tax receipts to pay the Bonds and Additional Parity Bonds, if any, which are on a parity with respect to the use of the proceeds from the Sales Tax. (See "THE BONDS – Additional Parity Bonds").

Future Debt:

The Bonds will be issued pursuant to the Resolution. The District has reserved the right, subject to satisfaction of certain conditions, to issue Additional Parity Bonds secured on parity with the Bonds. The Resolution permits the future issuance of Additional Parity Bonds pursuant to one or more supplemental orders which may provide that the Debt Service Reserve Fund will be increased by accumulating the Debt Service Reserve Requirement over a period of 12 months; provided, however, the Pledged Revenues received by the District for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months out of the eighteen months next preceding the adoption of the resolution authorizing the issuance of such proposed Additional Parity Bonds, shall be not less than 1.45 times the annual average of the principal and interest payments scheduled to become due on the remaining outstanding Bonds and Additional Parity Bonds and estimated to become due on such proposed Additional Parity Bonds.

The District has further reserved the right to issue bonds or other obligations that are secured by a subordinate lien on the Pledged Revenues. The District has also reserved the right to issue other bonds, notes or indebtedness, including, without limitation, special project bonds, hotel occupancy tax bonds, event admission tax bonds, or event parking tax bonds, for any lawful purpose so long as same are payable from and secured by any resources, assets, income or revenues of the District other than the Pledged Revenues.

The District has covenanted that so long as any of the Bonds or Additional Parity Bonds remain outstanding, the District will not issue any bonds, notes or other obligations secured, in whole or in part, from a lien on and pledge of the Pledged Revenues that is superior to the lien on and pledge of the Pledged Revenues in favor of the Bonds and Additional Parity Bonds

Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate (including, but not limited to, limiting the capacity of businesses that generate sales taxes) 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 business interruptions, bankruptcies and declines in retail sales and sales tax revenues.

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

Bondholders' Remedies:

The Resolution does not establish specific events of default with respect to the Bonds. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. Although a registered owner of Bonds could presumably obtain a judgment against the District if a default occurred in the payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the District other than the Pledged Revenues. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to observe or perform any of its obligation under the Resolution. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. Furthermore, the District is eligible to seek relief from its creditors under the U.S. Bankruptcy Code. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Ultimately, collection and enforcement of the Sales Tax is controlled by the State of Texas. While the District has undertaken to take all legal means and actions permissible to cause the Sales Tax to be levied and collected, the District's enforcement mechanisms may be more limited than the State of Texas' and bondholders may have no remedies against the State of Texas if it fails to collect and distribute Sales Tax revenues.

Economic Factors:

Generally, sales tax revenues are considered to be subject to greater fluctuations than ad valorem tax and utility revenues. Sales tax revenues in general, including the sales tax revenues of the District, are subject to fluctuations depending upon the state of the economy nationally and more specifically the state of the economy of Montgomery County, Texas. Total sales taxes imposed are governed by the Texas Constitution and statutes. Without an election and/or legislative changes, the District cannot increase its rate of taxation if sales tax collections decrease. The District does not have any ad valorem taxing authority at this time. While the District is able to impose certain other taxes and fees, the District has not pledged same to the repayment of the Bonds. The Pledged Revenues securing the Bonds are a function solely of a portion of the District's sales tax revenues.

Additionally, it should be recognized that the Houston metropolitan area has during times of lower prices for oil and natural gas experienced economic downturns including increases in unemployment, business failures, and slow absorption of commercial/retail/industrial building space and home building. A continuation of such lower oil and natural gas prices for a prolonged period of time could adversely affect the level of economic activity within the District and therefore the Pledged Revenues.

Bond Insurance Investment Considerations:

If a bond insurance policy is obtained securing principal of, and interest on, the Bonds, then in the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with optional prepayment of the Bonds by the issuer that is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal of, and interest on, the Bonds does not accelerate the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies, and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

Severe Weather Events

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged a substantial amount of the improvements within the District, businesses could be interrupted and/or residents may be forced to relocate temporarily or permanently outside of the District, which could, in turn, substantially reduce the revenues produced from the Sales Tax.

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The Houston area, including the area in and around the District in Montgomery County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days.

In September 17-19, 2019, various parts of Montgomery County, including areas in and around the District, reportedly experienced approximately 33" of rain over a 24-hour period during Tropical Storm Imelda. Portions of the District experienced some flooding, which receded after approximately 12 hours.

The District's revenues from the Sales Tax have were not materially adversely affected by the above-described weather events for any significant length of time and the District has never defaulted on its previously issued debt secured by its Sales Tax revenues. However, the District cannot make any representation as to whether any future severe weather events will occur or whether they will have a material adverse effect on the Sales Tax revenues.

DISTRICT INVESTMENTS

The District is a governmental agency, body politic and corporate, and political subdivision of the State of Texas and is subject to the provisions of the Public Funds Investment Act (V.T.C.A., Government Code, (Ch. 2256) with respect to the investment of its funds. The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the District. Both state law and the District's investment policies are subject to change.

Legal Investments:

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for District deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for District deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government Bonds dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state hank, (11) no-load money market mutual funds regulated by the Bonds and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the Bonds and Exchange Commission that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies:

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management: and that include a list of authorized investments for District funds. All District funds must be invested consistent with the District investment policies and the written investment strategies set forth therein. Each investment strategy must describe the investment objectives for each particular fund of the District using the following priorities in order of importance: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions:

Under Texas law the District is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell Bonds to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (3) require the registered principal of firms seeking to sell Bonds to the District to: (a) receive and review the District's investment policy (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (5) provide specific investment training for the Treasurer and investment officer(s); (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments:

As of July 9, 2020, the District's investable funds were invested in the following categories:

Description	Percent of Total	Market Value
TexPool	22%	$1,214,119
Certificates of Deposit	42%	$2,269,498
Checking Accounts	36%	$1,946,275
Totals	**100%**	**$5,429,893**

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from and secured by a lien on and a pledge of the Pledged Revenues. The District will also furnish the approving legal opinion of Marks Richardson PC, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

The opinion of Bond Counsel is expected to be reproduced on the initial Bonds over a certification of the Secretary of the Board of Directors of the District attesting that such legal opinion was dated as of the date of delivery of and payment for the Bonds and is a true and correct copy of the original opinion. Errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Underwriter to accept delivery of and pay for the Bonds.

In addition to serving as Bond Counsel, Marks Richardson PC, also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds. Certain matters will also be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Limited Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Houston, Texas, as Underwriter’s Counsel.

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

Legal Review

In its capacity as Bond Counsel, Marks Richardson PC, has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," “PLAN OF FINANCING–Refunded Bonds,” "DESCRIPTION OF THE DISTRICT," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

In its capacity as Limited Disclosure Counsel, Orrick, Herrington & Sutcliffe LLP, has reviewed the information appearing in this Official Statement under the captioned section "TAX MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITS, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31 , 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) by more than a de minims amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Sale or Other Taxable Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Bonds. If the District defeases any Bond, the Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Bond.

Information Reporting and Backup Withholding. Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payer will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payer in the manner required, (ii) the IRS notifies the payer that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Bond to a Non-U.S. Holder, other than (l) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Bond or a financial institution holding the Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payer and the payer does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")-U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign municipal bond ratings of "AA" to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. S&P has also assigned an underlying rating of "AA-" to the Bonds An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Bond Insurance Investment Considerations," "BOND INSURANCE" and "APPENDIX C."

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2019, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $534.9 million, $132.5 million and $402.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell Bonds or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.
BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, 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 the mathematical computations of the adequacy of the cash and Escrowed Bonds deposited into the Escrow Fund to pay, when due, the maturing principal of, and interest on the Refunded Bonds.

Robert Thomas CPA, 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, Robert Thomas CPA, LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

OTHER INFORMATION

No-Litigation Certificate:

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

Registration and Qualification of Bonds for Sale:

The offer and sale of the Bonds have not been registered under the Federal Bonds Act of 1933, as amended, in reliance upon an exemption provided thereunder; and the Bonds have not been qualified under the Bonds Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the Bonds laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the Bonds laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 Bonds registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas:

Pursuant to the Texas Bond Procedures Act, Chapter 1201 of the Texas Government Code as amended, provides that certain obligations of public agencies (which include the Bonds) are eligible and lawful security for all deposits of public funds of the State of Texas and any board, authority, agency, department, commission, political subdivision, municipal corporation, district, public corporation, body politic or instrumentality of the State of Texas to the extent of the market value thereof. No representation is made that the bonds will be acceptable to public entities to secure their deposits or will be acceptable to such institutions for investment purposes. No representation is made with respect to other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

Authenticity of Financial Data and Other Information:

The financial data and other information contained herein have been obtained from District records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION

The District will provide annually to the Municipal Bonds Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access ("EMMA"), within six months after the end of each Fiscal Year, financial information and operating data with respect to the District of the general type included in this Official Statement under "DEBT SERVICE REQUIREMENTS," "THE SALES TAX - Sales Tax Data" and Appendix B. Any financial statements to be so provided shall be (i) prepared in accordance with the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and (ii) audited, if the District commissions an audit of such statements and such audit is completed within the period during which it must be provided. If any such audit is not completed within such period, then the District shall provide such audited financial statements for the applicable Fiscal Year to the MSRB via EMMA when and if such audit report becomes available.

Material Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax 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 or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties. Financial obligation in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal Bonds (as defined in the Bonds Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal Bonds laws. Neither the Bonds nor the Resolution make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. 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."

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has also agreed to provide such accompanying identifying information as is required by the MSRB. 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 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 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 the District's 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 reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings:

In 2017, due to administrative oversight, the District failed to timely file a notice of redemption for its Sales Tax Revenue Refunding Bonds, Series 2010. In 2019 S&P upgraded the Districts rating on its outstanding Bonds from single "A" to "AA-". The District failed to do the necessary filing with EMMA on a timely basis; a notice of the rating upgrade and a notice of the late filing has recently been made with EMMA. In November 2019, the East Montgomery County Improvement District (the "District") timely posted its continuing disclosure tables for the fiscal year ending June 30, 2019, and, due to an administrative oversight, the District erroneously included audited financial statements for another governmental entity. On July 10, 2020, the District amended its November 2019 filing by replacing the erroneously filed audited financial statements with the District's audited financial statements for the fiscal year ending June 30, 2019. The District has adopted procedures to ensure that future filings will be made on a timely basis. Otherwise, during the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

Financial Advisor:

The GMS Group, L.L.C. ("GMS") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. GMS, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Underwriting:

The District has accepted the proposal which was tendered by Raymond James & Associates, Inc. (the "Underwriter") to purchase the Bonds bearing the rates shown on the inside cover page of this Official Statement at a price of $____________ (representing the principal amount, plus/less a net issue premium/discount of $______, less and Underwriter's Discount of $_____) plus accrued interest to the date of delivery, which resulted in a net effective interest rate of ____________%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter. The following statement has been provided by the Underwriter: In accordance with its responsibilities under federal Bonds laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

Miscellaneous:

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Resolution authorizing the issuance of the Bonds will also approve the firm and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter.

APPENDIX A

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MONTGOMERY COUNTY, TEXAS

GENERAL INFORMATON REGARDING THE DISTRICT

INFORMATION REGARDING THE DISTRICT

The District is located 20 miles northeast of downtown Houston along U.S. Highway 59/I-69 NAFTA Corridor.

The District includes approximately one hundred fifty-eight (158) square miles located just north of the Montgomery/Harris county line, Kingwood, and the northern limits of City of Houston. The boundaries correspond closely with those of the New Caney and Splendora School Districts (except those portions within the City of Houston as it exited on January 1, 1997, and except any portion of the New Caney Independent School District, as the boundaries existed on September 1, 2001, or as they may exist in the future located in Harris County). The Cities of Splendora, Roman Forest, Woodbranch Village and Patton Village, and the unincorporated communities of Porter and New Caney are all located in the District's boundaries; however, the majority of the District consists of unincorporated areas of Montgomery County.

The District has in the past expended approximately $500,000 per year to offer direct cash incentives to companies who locate or expand within the boundaries of the District. This money has been used for workforce training, building improvements, furniture, equipment, fixtures, etc. No representation can be made as to the dollar amount that may be available to fund such program costs in future years.

Kingwood College has programs to help train potential employees and will assist with obtaining job-training dollars from the State of Texas Smart Jobs Program. The Texas Workforce Commission also has programs to provide assistance with job advertising and pre-screening of applicants as well as job training of up to $2,000 per job through the Skills Development Fund.

The Splendora Independent School District has adopted a Freeport Exemption for businesses within its district's boundaries. Under this program, certain personal property qualifies for an exemption from ad valorem taxation so long as it has been detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabricating, as provided under Tax Code Section 11.251 of the Texas Constitution.

Education

New Caney Independent School District serves approximately 16,080 students from kindergarten through 12th grade. The District is located along the southeastern boundary of Montgomery County, Texas in the northern suburbs of Houston, approximately 25 miles from the central business district of Houston. New Caney I.S.D. which covers approximately 60 square miles has extensive facilities including 3 high schools, 4 middle schools, 11 elementary schools and one alternative education center. The District employs 2,233 persons including 1085 teachers. Enrollment has grown from 12,458 students in 2014 to 16,080 students in 2019.

Splendora Independent School District is located approximately 35 miles northeast of Houston on U.S. 59/I-69. Splendora I.S.D. has an enrollment of approximately 4,108 from kindergarten through 12th grade with a staff of 607 including 353 teachers. School facilities include three elementary schools, one intermediate school, one junior high school, and one high school. School enrollments have increased from 3,751 students in 2014 to 4,108 students in 2019.

Lone Star College-Kingwood offers a wide variety of 2 year programs leading to Associate of Arts, Science or Applied Science degrees. The college is located on a large campus in the Kingwood community and serves 7,600 students enrolled in credit courses in 40 major disciplines with a focus on biotechnology, computer and healthcare. The Kingwood campus is part of the Lone Star College system one of the largest and fastest growing community college districts in Texas. The overall system has five distinct colleges with seven satellite centers and serves a student enrollment of more than 50,000 in credit classes and an additional 13,000 in continuing education. The system is the leading provider of nursing, firefighter and EMT workers in the Houston area.

Transportation

Transportation in the area is dominated by George Bush Intercontinental Airport, two freeways, two tollways, and a mass transit system. As a result, needs stemming from business, commuting and personal travel are well served.

George Bush Intercontinental Airport is just minutes from East Montgomery County. Most local residents and businesses are only a twenty-minute or so drive from the terminal buildings. After opening in the late-1960's, Houston's major airport has grown to be one of the most active in the nation.

Port of Houston, the nation's second largest port in total tonnage, is located 25 miles south of East Montgomery County. As is the case with the airport, this Gulf Coast location is an ideal port of entry for central and southwest destinations in the United States. Automated cargo and rail car handling capabilities are featured at the Port.

Rail: Major commercial rail lines in the north Houston region include Burlington Northern and Missouri Pacific railroads. Extensive service is also provided in the Port of Houston and Galveston areas. Amtrak includes Houston in its national passenger service network. Rails run parallel to U.S. 59/I-69 which services most of East Montgomery County.

Major Thoroughfares: Two major north-south freeways are found in Montgomery County – U.S. 59/I-69 and Interstate 45. U.S. 59/I-69 is centrally located to the East Montgomery County area. In addition, just south of the area are two connecting loops around outer Houston, Beltway 8 and F.M. 1960. Hardy Tollway provides a third north-south alternative. In addition, the Sam Houston Parkway and Tollway serves as a major local east-west highway. FM 1960 also provides good east-west access within the local area.

Park and Ride services are provided by Houston's Metropolitan Transit Authority (METRO). The Eastex Station serves the southern portion of the area, and the Kingwood Station is located to the south of the District.

Major Employers: Some of the major employers in and around the area of the District include the following

Academy Sports Goods Store
Administaff
Albertson's
Brookshire Brothers
Burlington Coat Factory
Campbell Ready Mix
Columbia Kingwood Medical Center
Gerland's Food Fair
Hallett Materials
H.E.B Pantry
Hobby Lobby
Home Depot
Kingwood College
Kroger Company
Montgomery County
New Caney I.S.D.
Splendora I.S.D.
Porter Ready Mix
Ross Stores
Royal Purple, Inc.
Sub Zero Nitrogen
TJ Maxx
Tractor Supply
U.S. Post Office
Super Wal-Mart
Walmart Distribution Center
Wells Fargo

Source: Lone Star College System Center for Business and Economic Development

Medical Facilities that serve residents of the District include the following

Columbia Kingwood Medical Center
Northeast Medical Center
Kelsey Seybold Clinic
Nursing Homes:
  Pine Shadows Retreat
  J & C Home Care
  The Heights at Valley Ranch

Source: Lone Star College System Center for Business and Economic Development

Taxable Values Within the District

The physical boundaries of the District generally encompass the boundaries of both the New Caney Independent School District and the Splendora Independent School District. (A small portion of the land located in the New Caney Independent School District is located within the City of Houston's ETJ and is not within the boundary of the District as described under "DESCRIPTION OF THE DISTRICT".) The following table presents the total Assessed Valuation of those two school districts for the years 2014 – 2019 and is intended to illustrate the economic activity and property valuations of the areas which are within the District. The data is provided for informational purposes only; EMCID has no ad valorem taxing authority.

Represents the Combined Assessed Valuation Total for
New Caney Independent School District and
Splendora Independent School District

Tax Year	Assessed Valuation
2014	$3,202,350,077
2015	$3,681,495,573
2016	$4,165,708,554
2017	$4,574,424,561
2018	$5,226,597,815
2019	$5,653,456,254

APPENDIX B

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MONTGOMERY COUNTY, TEXAS

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE YEAR ENDING
JUNE 30, 2019

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Montgomery County Improvement District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, component unit, and each major fund of East Montgomery County Improvement District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
East Montgomery County Improvement District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, component unit, and each major fund of the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information 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 other supplementary information 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

October 15, 2019

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Management's discussion and analysis of East Montgomery County Improvement District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The District's Component Unit includes activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

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, sales and hotel tax receipts, economic development expenditures and general expenditures. The Debt Service Fund accounts for transfers from the General Fund that are 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 the acquisition or construction of major capital facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $9,484,121 as of June 30, 2019. The following table provides a summary of the District's Statement of Net Position as of June 30, 2019 and June 30, 2018.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 8,718,864	$ 7,269,707	$ 1,449,157
Capital Assets (Net of Accumulated Depreciation)	9,691,222	8,187,673	1,503,549
Total Assets	$ 18,410,086	$ 15,457,380	$ 2,952,706
Bonds Payable	$ 6,944,521	$ 7,049,444	$ 104,923
Other Liabilities	1,981,444	634,560	(1,346,884)
Total Liabilities	$ 8,925,965	$ 7,684,004	$ (1,241,961)
Net Position:			
Net Investment in Capital Assets	$ 2,846,100	$ 1,235,442	$ 1,610,658
Restricted	2,072,373	2,028,068	44,305
Unrestricted	4,565,648	4,509,866	55,782
Total Net Position	$ 9,484,121	$ 7,773,376	$ 1,710,745

The following table provides a summary of the District's operations for the years ended June 30, 2019, and June 30, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Sales Tax Revenues	$ 10,674,781	$ 10,809,838	$ (135,057)
Other Revenues	436,866	399,633	37,233
Total Revenues	$ 11,111,647	$ 11,209,471	$ (97,824)
Total Expenses	9,400,902	12,162,801	2,761,899
Change in Net Position	$ 1,710,745	$ (953,330)	$ 2,664,075
Net Position, Beginning of Year	7,773,376	8,726,706	(953,330)
Net Position, End of Year	$ 9,484,121	$ 7,773,376	$ 1,710,745

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were $6,905,704, an increase of $99,816 from prior year.

The General Fund fund balance increased by $55,782, primarily due to sales tax revenues being greater than economic development and administrative costs.

The Debt Service Fund fund balance increased by $41,848 due to debt service interest and principal costs being less than the amount of funds transferred from the General Fund as well as an increase in investment revenues.

The Capital Projects Fund fund balance increased by $2,186 due to investment revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $453,382 less than budgeted revenues, primarily due to lower than anticipated sales tax revenues received. Actual expenditures were $509,164 less than budgeted due to lower than anticipated economic and community development expenditures offset by higher than anticipated capital outlay costs.

CAPITAL ASSETS

Capital assets as of June 30, 2019, total $9,691,222 (net of accumulated depreciation) and include land, buildings and equipment. When completed, certain utilities are conveyed to other governmental entities for operations and maintenance. Current year additions included the community center parking lot and construction in progress related to the YMER building.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,815,341	$ 1,815,341	$
Construction in Progress	1,851,366	136,890	1,714,476
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	6,024,515	6,235,442	(210,927)
Total Net Capital Assets	$ 9,691,222	$ 8,187,673	$ 1,503,549

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of $7,045,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	$ 7,155,000
Less: Bond Principal Paid	110,000
Bond Debt Payable, June 30, 2019	$ 7,045,000

The District's underlying rating is "AA-." The Series 2009 Bonds carry insured ratings of "AA" by S&P based on insurance issued by Assured Guaranty Municipal Corp. The above ratings are as of June 30, 2019, and remain unchanged from the prior year.

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 East Montgomery County Improvement District, 3700 Buffalo Speedway, Suite 830, Houston, TX 77098.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 1,555,964	$ 527,702
Investments	2,199,022	1,614,333
Receivables:		
Sales Taxes	2,153,286	
Other	250	8,622
Due from Governmental Funds		90,000
Prepaid Costs	27,733	
Due from Other Governmental Units	354,750	
Due From Component Unit	177,803	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 6,468,808	$ 2,240,657
LIABILITIES		
Accounts Payable	$ 1,813,160	$
Accrued Interest Payable		
Due to Primary Government		
Due to Governmental Funds	90,000	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,903,160	$ -0-
FUND BALANCES		
Nonspendable: Prepaid Costs	$ 27,733	$
Restricted for Authorized Construction		
Restricted for Debt Service		2,240,657
Restricted for Hotel/Motel Tax Obligations	992,125	
Committed for Construction	1,570,062	
Assigned for Special Events	137,783	
Unassigned	1,837,945	
TOTAL FUND BALANCES	$ 4,565,648	$ 2,240,657
TOTAL LIABILITIES AND FUND BALANCES	$ 6,468,808	$ 2,240,657
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	Component Unit
$ 474	$ 2,084,140	$	$ 2,084,140	$ 2,207,454
98,925	3,912,280		3,912,280	
	2,153,286		2,153,286	1,054
	8,872		8,872	
	90,000	(90,000)		
	27,733		27,733	
	354,750		354,750	
	177,803		177,803	
		1,815,341	1,815,341	
		1,851,366	1,851,366	
		6,024,515	6,024,515	
$ 99,399	$ 8,808,864	$ 9,601,222	$ 18,410,086	$ 2,208,508
$	$ 1,813,160	$	$ 1,813,160	$ 550
		168,284	168,284	
				177,803
	90,000	(90,000)		
		120,000	120,000	
		6,824,521	6,824,521	
$ -0-	$ 1,903,160	$ 7,022,805	$ 8,925,965	$ 178,353
$	$ 27,733	$ (27,733)	$	$
99,399	99,399	(99,399)		
	2,240,657	(2,240,657)		
	992,125	(992,125)		
	1,570,062	(1,570,062)		
	137,783	(137,783)		
	1,837,945	(1,837,945)		2,030,155
$ 99,399	$ 6,905,704	$ (6,905,704)	$ - 0 -	$ 2,030,155
$ 99,399	$ 8,808,864			$ 2,208,508
		$ 2,846,100	$ 2,846,100	$
		2,072,373	2,072,373	
		4,565,648	4,565,648	2,030,155
		$ 9,484,121	$ 9,484,121	$ 2,030,155

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

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds		$ 6,905,704
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.		9,691,222
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (168,284)	
Bonds Payable	(6,944,521)	(7,112,805)
Total Net Position - Governmental Activities		$ 9,484,121

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

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EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Sales Taxes	$ 10,674,781	$
Hotel/Motel Taxes	85,241	
Event Revenues	73,614	
Rents, Investments and Other Revenues	237,982	37,843
TOTAL REVENUES	$ 11,071,618	$ 37,843
EXPENDITURES/EXPENSES		
Service Operations:		
Programs:		
Community Development	$ 3,490,822	$
Economic Development	1,763,720	
Scholarships	700,000	
Administrative:		
Professional Fees	176,695	
Salaries and Benefits	1,021,653	
Other	787,210	589
Building	718,735	
Depreciation		
Capital Outlay	1,787,001	
Debt Service:		
Bond Principal		110,000
Bond Interest		455,406
TOTAL EXPENDITURES/EXPENSES	$ 10,445,836	$ 565,995
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 625,782	$ (528,152)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	$ (570,000)	$ 570,000
NET CHANGE IN FUND BALANCES	$ 55,782	$ 41,848
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018	4,509,866	2,198,809
FUND BALANCES/NET POSITION - JUNE 30, 2019	$ 4,565,648	$ 2,240,657

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

Capital Projects Fund	Total	Adjustments	Statement of Activities	Component Unit
$	$ 10,674,781	$	$ 10,674,781	$ 1,641,478
	85,241		85,241	
	73,614		73,614	
2,186	278,011		278,011	67
$ 2,186	$ 11,111,647	$ - 0 -	$ 11,111,647	$ 1,641,545
$	$ 3,490,822	$	$ 3,490,822	$
	1,763,720		1,763,720	
	700,000		700,000	
	176,695		176,695	16,833
	1,021,653		1,021,653	
	787,799		787,799	6,441
	718,735		718,735	
		283,452	283,452	
	1,787,001	(1,787,001)		
	110,000	(110,000)		
	455,406	2,620	458,026	
$ -0-	$ 11,011,831	$ (1,610,929)	$ 9,400,902	$ 23,274
$ 2,186	$ 99,816	$ 1,610,929	$ 1,710,745	$ 1,618,271
$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
$ 2,186	$ 99,816	$ (99,816)	$	
		1,710,745	1,710,745	$ 1,618,271
97,213	6,805,888	967,488	7,773,376	411,884
$ 99,399	$ 6,905,704	$ 2,578,417	$ 9,484,121	$ 2,030,155

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

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds	$ 99,816
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	(283,452)
In the Statement of Net Position, capital assets are increased by new purchases and reduced for assets sold. Also, the District reflects an expense for assets constructed and conveyed to other entities for ownership and maintenance.	1,787,001
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.	110,000
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.	(2,620)
Change in Net Position - Governmental Activities	$ 1,710,745

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

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

East Montgomery County Improvement District of Montgomery County, Texas, a special district and political subdivision of the State of Texas, was created and established by Senate Bill No. 921 passed by the 75th Legislature, Regular Session, and signed on June 20, 1997. Senate Bill No. 1648 amended Senate Bill No. 921 and was signed into law by the Governor on May 20, 1999. Senate Bill No. 1772 amended Senate Bill No. 921, as amended by Senate Bill 1648, and was signed into law by the Governor during the 77th Texas State legislative session. Senate Bill No. 1772 took effect September 1, 2001. House Bill No. 4015 amended Senate Bill No. 921, as amended by Senate Bill 1648 and Senate Bill 1772, and was signed into law by the Governor during the 80th Texas State legislative session. Senate Bill 2453 amended House Bill No. 4015 during the 81st Texas State legislative session. The District was created to promote, develop, encourage, and maintain employment, commerce, economic development, and public welfare in the eastern area of Montgomery County. The District's Board of Directors held its organizational meeting on June 24, 1997, and sold its first series of bonds in October 2000.

The boundaries of the District, as amended by Senate Bill 1772, are coextensive with the boundaries of the New Caney Independent School District and the Splendora Independent School District, as those boundaries existed on January 1, 1997, but the District does not include any portion of the City of Houston as it existed on January 1, 1997, and does not include any portion of the New Caney Independent School District as the boundaries of the District exist on September 1, 2001, or as they may exist in the future, located in Harris County.

The District is governed by an eight-member Board of Directors and employs permanent staff, which includes a President/CEO.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4 meet the component unit criteria for inclusion in the District's financial statements.

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 Asset; 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 of the government-wide Statement of Activities.

The District's Component Unit includes activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

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 these to be major funds.

General Fund – To account for resources not required to be accounted for in another fund, sales tax receipts, hotel/motel tax receipts, economic development expenditures, and general operating expenditures.

Debt Service Fund – To account for financial resources restricted, committed or assigned for servicing bond debt.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

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 collectible 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 collectible 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)

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

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

	Years
Building and Improvements	40
Furniture and Equipment	7

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

The District has seven employees. The District makes matching contributions into a 401(k) plan for its employees. See Note 9 for more information on the retirement plan.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed $1,570,062 of its fund balance for the construction of the YMER building expansion project.

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 assigned $137,783 for special events.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District's bonds payable at June 30, 2019, consists of the following:

	Series 2009 Sales Tax Revenue Bonds
Amount Outstanding - June 30, 2019	$ 7,045,000
Interest Rates	5.50% - 6.625%
Maturity Dates – Serially Beginning/Ending	August 15, 2019/2039
Interest Payment Dates	August 15/ February 15
Callable Dates	August 15, 2022*

* Or any date thereafter, at the option of the District, as a whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Term bonds maturing on August 15, 2029, and August 15, 2039, are subject to mandatory sinking fund redemption commencing on August 15, 2025, and August 15, 2030, respectively. The Term Bonds of a given maturity required to be redeemed shall be selected by lot or other customary random method.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	$ 7,155,000	$	$ 110,000	$ 7,045,000
Unamortized Discounts	(105,556)		(5,077)	(100,479)
Bonds Payable, Net	$ 7,049,444	$ -0-	$ 104,923	$ 6,944,521

Amount Due Within One Year	$ 120,000
Amount Due After One Year	6,824,521
Bonds Payable, Net	$ 6,944,521

Revenues pledged to service the debt from the outstanding bonds of the District include 3/4% of the sales tax collections within the District. See also Note 6. As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 120,000	$ 448,656	$ 568,656
2021	130,000	441,631	571,631
2022	140,000	434,206	574,206
2023	155,000	425,900	580,900
2024	170,000	416,556	586,556
2025-2029	1,110,000	1,903,746	3,013,746
2030-2034	1,755,000	1,458,265	3,213,265
2035-2039	2,750,000	725,111	3,475,111
2040	715,000	23,684	738,684
	$ 7,045,000	$ 6,277,755	$ 13,322,755

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The District maintains in its Debt Service Fund a "Required Reserve" equal to the maximum annual principal and interest requirements on its bonds during the fiscal year. The District transferred $570,000 from the General Fund to the Debt Service Fund to provide for current and future debt service payments on the outstanding bonds. Of the total transfers, $90,000 is recorded as an interfund liability at year end.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,639,140 and the bank balance was \$2,705,623. 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 June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 1,555,964	\$	\$ 1,555,964
DEBT SERVICE FUND	527,702	555,000	1,082,702
CAPITAL PROJECTS FUND	474		474
TOTAL DEPOSITS	\$ 2,084,140	\$ 555,000	\$ 2,639,140

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures 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. Certificates of deposit are recorded at acquisition cost.

As of June 30, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 2,199,022	$ 2,199,022
DEBT SERVICE FUND		
TexPool	1,059,333	1,059,333
Certificates of Deposit	555,000	555,000
CAPITAL PROJECTS FUND		
TexPool	98,925	98,925
TOTAL INVESTMENTS	$ 3,912,280	$ 3,912,280

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the District's investment in TexPool was rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC insurance coverage.

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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. All cash and investments of the Component Unit are restricted for the activities related to the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3 and 4.

NOTE 6. SALES AND USE TAX REVENUES

In September 1997, the voters of the District authorized the District's Board of Directors to levy and collect a 1% sales and use tax within the District, subject to the applicable provisions of the Texas Tax Code. In November 2009, an additional local sales and use tax of 1/2% was approved by voters. The District relies on this tax for the funding of substantially all of its programs, functions and services. Three-quarters of one percent (3/4%) of the sales tax collections are pledged for the payment of principal and interest on the District's outstanding bonds.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,815,341	$	$	$ 1,815,341
Construction in Progress	136,890	1,787,001	72,525	1,851,366
Total Capital Assets Not Being Depreciated	$ 1,952,231	$ 1,787,001	$ 72,525	$ 3,666,707
Capital Assets Subject to Depreciation				
Buildings and Equipment	$ 9,856,736	$ 72,525	$ - 0 -	$ 9,929,261
Accumulated Depreciation				
Buildings and Equipment	$ 3,621,294	$ 283,452	$ - 0 -	$ 3,904,746
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 6,235,442	$ (210,927)	$ - 0 -	$ 6,024,515
Total Capital Assets, Net of Accumulated Depreciation	$ 8,187,673	$ 1,576,074	$ 72,525	$ 9,691,222

NOTE 8. RISK MANAGEMENT

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

NOTE 9. QUALIFIED RETIREMENT PLAN

On January 1, 2006, the District established a 401(k) plan for eligible employees. The full name of the plan is East Montgomery County Improvement District 401(k) Plan, and records are maintained on a 12-month calendar year. The Plan's administrator is the District, and contributions are held in a Trust Fund with trustees responsible for safekeeping. Eligibility requirements include completion of six months of service and attainment of the age of 21. The District makes matching contributions to the plan which are tax deferred.

NOTE 10. SCHOLARSHIP PROGRAM

The District established an endowed scholarship program with East Montgomery County Scholarship Foundation ("EMCSF"). The District has committed to make an Annual Scholarship Contribution which refers to the total contribution to be made by the District to EMCSF consisting of an amount sufficient to fund 100% of the annual scholarship cost and any administrative costs of EMCSF and an annual contribution of an amount not less than $50,000 for the growth of the EMCID Educational Scholarship Endowment Fund until the fund is sufficient to generate annual interest and earnings in an amount adequate to pay for the annual scholarships awarded under the Scholarship Program and administrative costs of EMCSF. Contribution expense was recognized under the current agreement for the year ended June 30, 2019, for $700,000.

NOTE 11. COMMUNITY AND ECONOMIC DEVELOPMENT

From time to time, the District enters into agreements to promote the health, safety and general welfare of its residents, employers, employees and consumers in the District and of the general public to promote, develop, encourage and maintain employment, commerce, economic development and the public welfare in the eastern area of Montgomery County.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Utility Development Agreement with East Montgomery County Municipal Utility District No. 3

The District entered into an agreement with East Montgomery County Municipal Utility District No. 3 ("District No. 3") for the construction of certain utilities necessary to provide water, sewer, and drainage services to the service area, and to convey those utilities to District No. 3 upon their completion. Under the agreement, the costs, currently estimated to be $319,750, are to be reimbursed with the proceeds of bonds to be issued by District No. 3.

Joint Agreement with Montgomery County Emergency Services District No. 7

The District has an agreement with Montgomery County Emergency Services District No. 7 ("ESD No. 7") whereby the District makes payments to ESD No. 7 based on sales tax collections to be used to provide expanded emergency services within its boundaries. The agreement also provides for the District to make grants to ESD No. 7 of $2,100,000, of which $300,000 was paid on June 27, 2016, $300,000 was paid on or before December 31, 2016, and the remaining $1,500,000 is payable based on the following criteria: if the ad valorem tax revenue that will be received in each of the years 2017, 2018, 2019, 2020 and 2021 (utilizing the January 1 certified assessed value for each such year and assuming the annual levy by ESD No. 7 of a $0.10/$100 of assessed valuation) by ESD No. 7 from the Grand Texas Development does not exceed $300,000, the District will make an additional grant to ESD No. 7, payable on or before December 31 of such year(s), to make up the difference between $300,000 minus the amount of such ad valorem tax funds received by ESD No. 7 in each such year. In the current fiscal year, the District made payments of $786,977 to ESD No. 7.

Joint Agreement with Montgomery County Emergency Services District No. 6

The District has an agreement with Montgomery County Emergency Services District No. 6 ("ESD No. 6") whereby the District makes payments to ESD No. 6 based on sales tax collections to be used to provide expanded emergency services within its boundaries. During the current fiscal year, the District made payments of $1,158,317 to ESD No. 6.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales Tax Revenues	$ 11,200,000	$ 10,674,781	$ (525,219)
Hotel/Motel Taxes	175,000	85,241	(89,759)
Events, Rents, Investments and Other Revenues	150,000	311,596	161,596
TOTAL REVENUES	$ 11,525,000	$ 11,071,618	$ (453,382)
EXPENDITURES			
Services Operations:			
Programs:			
Community Development:			
ESD No. 6 Donation	$ 1,120,000	$ 1,158,317	$ (38,317)
ESD No. 7 Donation	1,050,000	786,976	263,024
Administrative		65,929	(65,929)
Legal Fees	45,000	46,471	(1,471)
Special Events	1,770,000	955,130	814,870
Grants	450,000	477,999	(27,999)
Total Community Development Expenditures	$ 4,435,000	$ 3,490,822	$ 944,178
Economic Development	$ 2,295,000	$ 1,763,720	$ 531,280
Scholarships	$ 705,000	$ 700,000	$ 5,000

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Administrative:			
Salaries	$ 1,087,130	$ 1,025,506	$ 61,624
Mileage	8,000	4,836	3,164
Dues/Professional Memberships	38,000	58,983	(20,983)
Subscriptions	10,000	4,547	5,453
Office Equipment Lease	11,000	38,024	(27,024)
Computers/Software	50,000	38,271	11,729
Travel & Training	215,000	214,502	498
Professional Fees	173,000	176,695	(3,695)
Advertising	180,000	141,624	38,376
Accounting	55,000	47,883	7,117
Supplies	22,000	18,327	3,673
Printing	50,000	74,266	(24,266)
Delivery Fees	7,000	5,448	1,552
Postage	40,000	34,498	5,502
Telephone	60,000	19,282	40,718
Miscellaneous	20,100	82,866	(62,766)
Total Administrative Expenditures	$ 2,026,230	$ 1,985,558	$ 40,672
Building/Capital Outlay	$ 1,493,770	$ 2,505,736	$ (1,011,966)
TOTAL EXPENDITURES	$ 10,955,000	$ 10,445,836	$ 509,164
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 570,000	$ 625,782	$ 55,782
OTHER FINANCING SOURCES(USES)			
Transfer to Debt Service	$ (570,000)	$ (570,000)	$ -0-
NET CHANGE IN FUND BALANCE	$ -0-	$ 55,782	$ 55,782
FUND BALANCE - JULY 1, 2018	4,509,866	4,509,866	
FUND BALANCE - JUNE 30, 2019	$ 4,509,866	$ 4,565,648	$ 55,782

See accompanying independent auditor's report.

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2019

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	S E R I E S - 2 0 0 9		
Due During Fiscal Years Ending June 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2020	$ 120,000	$ 448,656	$ 568,656
2021	130,000	441,631	571,631
2022	140,000	434,206	574,206
2023	155,000	425,900	580,900
2024	170,000	416,556	586,556
2025	185,000	406,349	591,349
2026	200,000	394,906	594,906
2027	220,000	382,044	602,044
2028	240,000	367,956	607,956
2029	265,000	352,491	617,491
2030	290,000	335,494	625,494
2031	320,000	316,012	636,012
2032	350,000	293,819	643,819
2033	380,000	269,637	649,637
2034	415,000	243,303	658,303
2035	455,000	214,484	669,484
2036	500,000	182,850	682,850
2037	545,000	148,235	693,235
2038	595,000	110,472	705,472
2039	655,000	69,070	724,070
2040	715,000	23,684	738,684
	$ 7,045,000	$ 6,277,755	$ 13,322,755

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY