

**OFFICIAL STATEMENT DATED MARCH 27, 2018**

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 183 AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

BOOK-ENTRY-ONLY

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

**\$2,740,000**  
**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 183**  
*(A political subdivision of the State of Texas located within Harris County)*  
**UNLIMITED TAX BONDS**  
**SERIES 2018**

**Dated: April 1, 2018**

**Due: April 1, as shown below**

The \$2,740,000 Unlimited Tax Bonds (the "Bonds") are being issued by Harris County Municipal Utility District No. 183 (the "District"). Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from April 1, 2018 and will be payable on April 1 and October 1 of each year commencing October 1, 2018 (six months interest) until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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



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

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS**

Due April 1	CUSIP (c)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Due April 1	CUSIP (c)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)
2022	414975 EE8	\$ 275,000	2.000 %	2.450 %	2027	414975 EK4	\$ 275,000 (b)	2.750 %	3.000 %
2023	414975 EF5	275,000	2.000	2.600	2028	414975 EL2	275,000 (b)	2.750	3.050
2024	414975 EG3	275,000	2.250	2.750	2029	414975 EM0	275,000 (b)	3.000	3.100
2025	414975 EH1	275,000 (b)	2.375	2.800	2030	414975 EN8	270,000 (b)	3.000	3.150
2026	414975 EJ7	275,000 (b)	2.500	2.900	2031	414975 EP3	270,000 (b)	3.000	3.200

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from April 1, 2018 is to be added to the price.
- (b) The Bonds maturing on or after April 1, 2025 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on April 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by Standard & Poor's Financial Services on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about April 26, 2018.

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### USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

## OFFICIAL STATEMENT SUMMARY

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

### THE FINANCING

- The Issuer* ..... Harris County Municipal Utility District No. 183 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
- The Issue* ..... \$2,740,000 Harris County Municipal Utility District No. 183 Unlimited Tax Bonds, Series 2018, dated April 1, 2018. The Bonds mature serially on April 1 in each year from 2022 through 2031, inclusive, in the respective amounts and bear interest at the rates shown on the cover page hereof. Bonds maturing on and after April 1, 2025 are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2024, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS."
- Book-Entry-Only*..... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Authority for Issuance* ..... The Bonds are issued pursuant to the Bond Order (the "Bond Order") authorizing the issuance of the Bonds, the Texas Constitution, the general laws of the State of Texas, an election held within the boundaries of the District and an order of the Texas Commission on Environmental Quality. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt."
- Source of Payment*..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, the State of Texas or any entity other than the District. See "THE BONDS—Source and Security for Payment."
- Use of Proceeds*..... Proceeds from the Bonds will be used to pay construction and engineering expenses for: (1) Water Wells No. 1 and 2 rework; (2) Sanitary Sewer Rehabilitation; (3) Barker Cypress Road Backlot Sanitary Sewer Line Extension; (4) Grand Forest Drive Waterline Loop; (5) Water Plant Improvements; and (6) Motor Control Center Replacement. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."
- Payment Record*..... The District has previously issued \$13,125,000 principal amount of unlimited tax bonds and \$11,240,000 principal of unlimited tax refunding bonds. A total of \$1,385,000 principal amount of such bonds is currently outstanding (the "Outstanding Bonds"). The District has timely paid its debt service on the Outstanding Bonds.
- Qualified Tax-Exempt Obligations* ..... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."
- Legal Opinion*..... Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.
- Engineer* ..... Jones & Carter, Inc., Houston, Texas.
- Disclosure Counsel*..... Norton Rose Fulbright US LLP, Houston, Texas.

*Financial Advisor* .....Hilltop Securities, Inc., Houston, Texas.

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

*Municipal Bond Insurance  
And Municipal Bond*

*Rating* .....It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), will assign its municipal bond rating of “AA” (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). An explanation of their rating may be obtained from S&P. S&P has also assigned an underlying rating to the District of “A” on the Bonds. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

*Investment*

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

**THE DISTRICT**

*Description* .....The District is a political subdivision of the State of Texas, created by order of the Texas Water Rights Commission, a predecessor to the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated July 10, 1979. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 346 acres of land. See “THE DISTRICT.”

*Location*.....The District is located in Harris County, approximately 22 miles west of the central downtown business district of the City of Houston. The District is north of Kieth Harrow Boulevard, west of Queenston Boulevard and south of West Little York. The District is accessed from Interstate 10 West and Barker Cypress Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress Fairbanks Independent School District. See “THE DISTRICT” and “AERIAL PHOTO.”

*Hurricane Harvey*... .....The Houston area, including Harris County, sustained widespread 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. The District is located approximately 70 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

According to Si Environmental, LLC (the “Operator”) and Jones & Carter, Inc. (the “Engineer”), the District’s water, sanitary sewer, and drainage systems did not sustain any material damage and there was no interruption of water and sanitary sewer service. However, the sewage treatment plant operated by Jackrabbit Road Public Utility District (“Jackrabbit Road PUD”), which provides sewage treatment for the District, was flooded and the mechanical, electrical and other critical components of such facilities suffered extensive damage. Jackrabbit Road PUD has filed insurance and FEMA claims for the cost of repairs to such facilities and has no estimate of the cost, if any, that will be incurred by the District as a result of Hurricane Harvey. The District is not aware of any homes or other improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

Hurricane Harvey could have an adverse impact on the Houston region’s economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes and commercial improvements within the District. See “INVESTMENT CONSIDERATIONS—Hurricane Harvey.”

*Status of Development*..... Approximately 275 acres has been developed into the single family subdivisions known as Windsong Sections 1 through 4 and Windsong Place, which collectively encompass 1,300 lots. As of December 13, 2017, 1,287 homes were completed and occupied in the District and 13 homes were vacant. For tax year 2017, the average home value within the District was approximately \$145,000.

Approximately 51.5 acres in the District have been developed for commercial purposes, including several small strip shopping centers. Businesses include a restaurant, a dry cleaners, several automotive related businesses, a service station, and a dental office. In addition, there are approximately 8 acres that are undeveloped and approximately 11.5 acres that are undevelopable representing streets, right of way, drainage, easements and plant facility sites. See "THE DISTRICT."

*[THE REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]*

**SELECTED FINANCIAL INFORMATION UNAUDITED**

2017 Taxable Assessed Valuation .....	\$222,347,809	(a)
Gross Direct Debt Outstanding .....	\$4,125,000	(b)
Estimated Overlapping Debt .....	<u>10,757,918</u>	
Total Gross Direct Debt and Estimated Overlapping Debt .....	\$14,882,918	
Ratios of Gross Direct Debt to:		
2017 Taxable Assessed Valuation .....	1.86%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2017 Taxable Assessed Valuation .....	6.69%	
Operating Funds Available as of February 27, 2018 .....	\$1,823,600	
Construction Funds Available as of February 27, 2018 .....	\$5,673	
Bond Funds Available as of February 27, 2018 .....	\$574,345	(c)
2017 Debt Service Tax Rate .....	\$0.15	(d)
2017 Maintenance Tax Rate .....	<u>0.33</u>	
Total .....	\$0.48	
Average Annual Debt Service Requirement (2018-2031) .....	\$345,420	(e)
Maximum Annual Debt Service Requirement (2021) .....	\$446,181	(e)
Tax Rates Required to Pay Average Annual Debt Service (2018-2031) at a 95% Collection Rate		
Based upon 2017 Taxable Assessed Valuation .....	\$0.17	
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
Based upon 2017 Taxable Assessed Valuation .....	\$0.22	
Status of Development as of December 13, 2017:		
Completed and Occupied Single Family Homes .....	1,287	
Vacant Single Family Homes .....	13	
Commercial Connections .....	19	
Estimated Population .....	4,504	(f)

- (a) Includes \$220,899,125 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and \$1,448,684 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2017, which totals \$222,347,809. See "TAX PROCEDURES."
- (b) After giving effect to issuance of the Bonds.
- (c) In addition to the balances shown, accrued interest on the Bonds from their dated date to the date of delivery will be deposited to the Bond Fund. Neither Texas law nor the Bond Order (as hereinafter defined) requires the District to maintain any minimum balance in the Bond Fund.
- (d) In connection with its approval, the Commission has concluded that a debt service tax in the initial year after the Bonds are issued of \$0.22 per \$100 of assessed valuation would be sufficient to pay the debt service on the Bonds and the Outstanding Bonds.
- (e) See "DEBT SERVICE REQUIREMENTS."
- (f) Based upon 3.5 persons per occupied single-family residence.

## OFFICIAL STATEMENT

**\$2,740,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 183  
OF HARRIS COUNTY, TEXAS**  
*(A political subdivision of the State of Texas located within Harris County)*

### UNLIMITED TAX BONDS, SERIES 2018

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 183 (the "District") of its \$2,740,000 Unlimited Tax Bonds, Series 2018 (the "Bonds").

The Bonds are issued by the District pursuant to the terms and provisions of an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ") dated February 8, 2018.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of the cost of duplication.

## THE BONDS

### General

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

### Description

The Bonds will be dated April 1, 2018, with interest payable on October 1, 2018, and on each April 1 and October 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from April 1, 2018, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts and accrue interest at the rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

### Authority for Issuance

At elections held within the District on April 4, 1981 and November 4, 2014, voters of the District authorized a total of \$41,625,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the seventh issuance of bonds from such authorizations. After issuance of the Bonds, the District will have \$25,760,000 principal amount in remaining authorization of unlimited tax bonds for the purposes of acquiring or constructing such facilities. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Commission dated February 8, 2018.

### Source and Security for Payment

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

## **Funds**

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

## **Record Date**

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

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

## **Method of Payment of Principal and Interest**

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

## **Registration**

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

## **Replacement of Paying Agent/Registrar**

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



## **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$41,625,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$25,760,000 principal amount in remaining authorized unlimited tax bonds for acquiring and constructing water, sanitary sewer and drainage facilities. The District's voters have also authorized a total of \$28,500,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has \$28,500,000 principal amount of unlimited tax refunding bonds authorized but unissued.

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

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

### **Financing Road Facilities**

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

### **Financing Recreational Facilities**

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

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

The District has not considered calling an election for such purposes but could consider doing so in the future.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Effective December 1, 2017, such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement."

### **Consolidation**

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

### **Remedies in Event of Default**

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

### **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, including, without limitation, Chapter 1207, Texas Government Code, as amended.

Chapter 1207 currently provides that the Bonds may be defeased by a deposit with the Comptroller of Public Accounts of the State of Texas or a Paying Agent of the District which 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 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 rating firm not less than AAA or its equivalent.

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

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Water Rights Commission, a predecessor to the Commission, dated July 10, 1979, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission.

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

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

### **Strategic Partnership Agreement**

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated December 19, 2011 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion encompasses 52.5 acres, of which 25 acres remain available for retail and commercial development within the District that has not yet been constructed. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

### **Description and Location**

The District is located in Harris County, approximately 22 miles west of the central downtown business district of the City of Houston and contains approximately 346 acres of land. The District is north of Kieth Harrow Boulevard, west of Queenston Boulevard and south of West Little York. The District is accessed from Interstate 10 West and Barker Cypress Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress Fairbanks Independent School District.

### **Residential Development**

Approximately 275 acres has been developed into the single family subdivisions known as Windsong Sections 1 through 4 and Windsong Place, which collectively encompass 1,300 lots. As of December 13, 2017, 1,287 homes were completed and occupied in the District and 13 homes were vacant. For tax year 2017, the average home value within the District was approximately \$145,000.

### **Commercial Development**

Approximately 51.5 acres in the District have been developed for commercial purposes, including several small strip shopping centers. Businesses include a restaurant, a dry cleaners, several automotive related businesses, a service station, and a dental office. In addition, there are approximately 8 acres that are undeveloped.

### **Undeveloped Acreage**

Approximately 11.5 acres located within the District are undevelopable representing streets, right of way, drainage, easements and plant facility sites.

## **MANAGEMENT**

### **Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. All of the current Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Zarse	President	May 2020
Rudy Alvarado	Vice President	May 2018
Dody M. Bradford	Secretary	May 2020
Brenda McCullah	Asst. Secretary	May 2018
Anthony J. Langley	Asst. Secretary	May 2018

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

### **Tax Assessor/Collector**

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

### **System Operator**

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

### **Bookkeeper**

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

### **Engineer**

Jones & Carter, Inc. (the "Engineer") provides consulting engineering services to the District.

### **Auditor**

The District's financial statements for the year ended June 30, 2017, were audited by BKD, LLP. See "APPENDIX A" for a copy of the District's June 30, 2017, audited financial statements. The District did not request BKD, LLP, to perform any updating procedures subsequent to the date of its audit report on the June 30, 2017, financial statements.

### **Bond Counsel and General Counsel**

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

### **Disclosure Counsel**

Norton Rose Fulbright US LLP, Houston, Texas, ("Disclosure Counsel") has been engaged by the District to serve as disclosure counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

## **Financial Advisor**

Hilltop Securities, Inc. (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

## **THE SYSTEM**

### **Regulation**

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

### **Water Distribution and Sanitary Sewer Collection and Drainage System**

The District's System includes water, sanitary sewer and drainage facilities to serve the subdivisions and commercial development described under the section “THE DISTRICT—Residential Development” and “—Commercial Development.”

### **Water Supply**

The District previously constructed Water Plant No. 1, which includes Water Well No. 1, and Remote Water Well No. 2 with proceeds from the Outstanding Bonds. The District receives the majority of its water supply from the West Harris County Regional Water Authority (the “Authority”). The District utilizes its water well to meet demands beyond what is provided by the Authority. The District has ground storage tank capacity of 770,000 gallons, four 775 gallon per minute booster pumps and hydropneumatic capacity of 40,000 gallons. According to the Engineer, the District's water supply facilities are sufficient to serve 2,094 equivalent single-family connections (“ESFCs”). The District is currently serving 1,372 ESFCs.

The District has emergency water supply interconnects with Barker-Cypress Municipal Utility District, Harris County Municipal Utility District No. 136 and Langham Creek Utility District.

### **Subsidence District Requirements**

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

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$8.46 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of the total annual amount of ground water pumpage allowed in the Authority's GRP. In the event of such Authority's failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates the need to continue passing such fees through to its customers in higher water and sewer rates. In the event the Authority fails to reduce groundwater withdrawal to the levels specified in the Regulatory Plan by the deadlines established by the Subsidence District, then the District and others within the Authority's GRP group will be required to pay a disincentive fee on withdrawn groundwater. This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers through higher water and sewer rates or utilize portions of its maintenance tax revenues. This fee would be in addition to the Authority's fee.

### **Wastewater Treatment Facilities**

The District owns 635,000 gallons per day of wastewater treatment capacity in the Jackrabbit Road PUD Regional Wastewater Treatment Plant. According to the Engineer, the District's present capacity in the wastewater treatment plant of 635,000 gpd will serve 2,116 ESFCs. The District is currently serving 1,372 ESFCs. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."

### **100-Year Flood Plain**

No development in the District is located within the 100-Year Flood Plain. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."



**Use and Distribution of Bond Proceeds**

Proceeds from the Bonds will be used to pay construction and engineering expenses for: (1) Water Wells No. 1 and 2 rework; (2) Sanitary Sewer Rehabilitation; (3) Barker Cypress Road Backlot Sanitary Sewer Line Extension; (4) Grand Forest Drive Waterline Loop; (5) Water Plant Improvements; and (6) Motor Control Center Replacement. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. The estimated use and distribution of Bond proceeds, as approved by the Commission, is set forth below.

**Construction Related Costs**

Construction Costs Approved by the Commission.....	\$2,430,000
<b>Total Construction Related Costs.....</b>	<b>\$2,430,000</b>

**Non-construction Costs**

Underwriter's Discount .....	\$81,091
Contingency (a) .....	1,109
<b>Total Non-construction Costs.....</b>	<b>\$82,200</b>

**Issuance Costs and Fees**

Issuance Costs and Professional Fees.....	\$164,210
Bond Application Report Costs.....	54,000
State Regulatory Fees.....	9,590
<b>Total Issuance Costs and Fees.....</b>	<b>\$227,800</b>

<b>TOTAL BOND ISSUE REQUIREMENT .....</b>	<b>\$2,740,000</b>
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(a) Contingency represents the difference in the estimated and actual amount of Underwriter's Discount.

In the instance that Commission-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

**FINANCIAL STATEMENT**

2017 Taxable Assessed Valuation .....	\$222,347,809	(a)
Gross Direct Debt Outstanding.....	\$4,125,000	(b)
Estimated Overlapping Debt.....	<u>10,757,918</u>	
Total Gross Direct Debt and Estimated Overlapping Debt.....	\$14,882,918	

Ratios of Gross Direct Debt to:  
 2017 Taxable Assessed Valuation ..... 1.86%

Ratios of Gross Direct Debt and Estimated Overlapping Debt to:  
 2017 Taxable Assessed Valuation ..... 6.69%

Area of District – 345.853 Acres  
 Estimated 2017 Population – 4,504 (c)

- (a) Includes \$220,899,125 of taxable value as certified by the Harris County Appraisal District (the “Appraisal District”) and \$1,448,684 of uncertified value, representing the owner’s opinion of value on properties in the District not yet certified for 2017, which totals \$222,347,809. See “TAX PROCEDURES.”
- (b) After giving effect to the issuance of the Bonds.
- (c) Based upon 3.5 persons per occupied single-family residence.

**Cash and Investment Balances (unaudited as of February 27, 2018)**

Operating Fund	Cash and Temporary Investments	\$	1,823,600
Debt Service Fund	Cash and Temporary Investments	\$	574,345 (a)
Construction Fund	Cash and Temporary Investments	\$	5,673

- (a) In addition to the balances shown, accrued interest on the Bonds from their dated date to the date of delivery will be deposited to the Bond Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Bond Fund.

**Outstanding Bonds (as of January 31, 2018)**

Series	Original Principal Amount	Principal Currently Outstanding
Unlimited Tax Bonds, Series 2011	\$ 2,360,000	\$ 1,385,000

**District Investment Policy**

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

## WATER AND SEWER OPERATIONS

### General

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

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements and the District's bookkeeper's records for the period ended January 31, 2018. Reference is made to such records and statements for further and more complete information.

	7/1/17 to	Fiscal Year Ended June 30			
	1/31/18 (a)	2017	2016	2015	2014
<b>REVENUES:</b>					
Property Taxes	\$ 524,178	\$ 694,367	\$ 656,868	\$ 425,545	\$ 384,610
Sales Tax Rebates	51,184	76,217	67,743	61,866	48,217
Water Service	136,905	233,164	235,578	218,543	252,593
Sewer Service	127,940	217,198	220,892	199,254	218,343
Bulk Water Sales	-	-	1,300	-	-
Regional Water Fee	185,957	294,770	281,516	241,674	273,957
Penalty and Interest	15,077	28,842	31,954	29,384	24,024
Tap Connection & Inspections Fees	1,879	-	400	5,185	26,465
Transfer from Capital Project Fund	16,766	-	-	-	-
Miscellaneous Income	71,877	-	-	-	-
Investment Income	8,867	8,586	6,047	5,658	6,219
<b>TOTAL REVENUES</b>	<b>\$ 1,140,630</b>	<b>\$ 1,553,144</b>	<b>\$ 1,502,298</b>	<b>\$ 1,187,109</b>	<b>\$ 1,234,428</b>
<b>EXPENDITURES:</b>					
Purchased Services, Sewer	\$ 106,409	\$ 172,729	\$ 167,636	\$ 172,455	\$ 174,848
Purchased Services, Water	178,594	303,970	311,678	237,587	278,270
Regional Water Fee	15,640	20,211	17,766	13,642	22,692
Professional Fees	113,701	140,281	210,604	276,738	181,569
Contracted Services	125,190	283,428	263,404	228,655	251,348
Utilities	18,648	29,493	32,167	29,821	30,995
Repairs & Maintenance	162,595	228,586	221,132	250,161	220,884
Tap Connections	-	-	-	4,125	5,300
Capital Outlay	29,274	52,983	-	28,845	-
Hurricane Harvey Related Expenses	43,344	-	-	-	-
Other Expenditures	33,588	85,680	65,954	88,323	65,997
<b>TOTAL EXPENDITURES</b>	<b>\$ 826,983</b>	<b>\$ 1,317,361</b>	<b>\$ 1,290,341</b>	<b>\$ 1,330,352</b>	<b>\$ 1,231,903</b>
<b>NET REVENUES</b>	<b>\$ 313,647</b>	<b>\$ 235,783</b>	<b>\$ 211,957</b>	<b>\$ (143,243)</b>	<b>\$ 2,525</b>
<b>FUND BALANCE,</b>					
<b>BEGINNING OF PERIOD</b>	<b>\$ 1,687,396</b>	<b>\$ 1,451,613</b>	<b>\$ 1,239,656</b>	<b>\$ 1,382,899</b>	<b>\$ 1,380,374</b>
<b>FUND BALANCE, END OF PERIOD</b>	<b>\$ 2,001,043</b>	<b>\$ 1,687,396</b>	<b>\$ 1,451,613</b>	<b>\$ 1,239,656</b>	<b>\$ 1,382,899</b>

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

## ESTIMATED OVERLAPPING DEBT STATEMENT

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris Co. ....	\$2,208,674,361	0.04%	\$883,470
Harris Co. Flood Control District .....	83,075,000	0.04%	33,230
Harris Co Dept of Education. ....	6,780,000	0.04%	2,712
Harris Co Hospital District. ....	61,595,000	0.04%	24,638
Port of Houston Authority .....	638,829,397	0.04%	255,532
Lone Star College System .....	640,175,000	0.11%	704,193
Cypress Fairbanks Independent School District.....	2,604,160,000	0.34%	<u>8,854,144</u>
Total Estimated Overlapping Debt .....			\$10,757,918
The District's Total Direct Debt (a) .....			<u>4,125,000</u>
Total Direct and Estimated Overlapping Debt.....			\$14,882,918
Direct and Estimated Overlapping Debt as a Percentage of:			
2017 Taxable Appraised Value of \$222,347,809 .....			6.69%

(a) Includes the Bonds.

### Overlapping Taxes for 2017

<u>Overlapping Entity</u>	<u>2017 Tax Rate per \$100 Assessed Valuation</u>
Harris County (a)	\$0.635175
Cypress-Fairbanks ISD	1.440000
Harris Co. ESD No. 9	0.052710
The District	<u>0.480000</u>
Total	\$2.607885

(a) Includes Harris County, Harris County Hospital District, Harris County Flood Control District, Harris County Dept. of Education and Port of Houston Authority.

## TAX DATA

### Tax Collections

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

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Total Collections as of January 31, 2017	
				Amount	Percent
2012	\$ 160,319,171	\$ 0.54	\$ 865,650	\$ 864,966	99.92%
2013	153,145,261	0.54	826,985	826,680	99.96%
2014	170,172,231	0.53	901,913	901,376	99.94%
2015	187,858,921	0.51	958,081	956,271	99.81%
2016	204,252,308	0.49	1,000,812	996,663	99.59%
2017	220,899,125	0.48	1,060,316	992,454	93.60%

(a) In the process of collections. 2017 taxes are due by January 31, 2018.

### Tax Rate Distribution

	2017	2016	2015	2014	2013
Debt Service	\$0.15	\$0.15	\$0.16	\$0.28	\$0.29
Maintenance	0.33	0.34	0.35	0.25	0.25
Total	\$0.48	\$0.49	\$0.51	\$0.53	\$0.54

### Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: \$1.00 per \$100 Assessed Valuation

### Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on such debt. The District levied a debt service tax for 2017 in the amount of \$0.15 per \$100 assessed valuation. In connection with its approval, the Commission has concluded that a debt service tax in the initial year after the Bonds are issued of \$0.22 per \$100 of assessed valuation would be sufficient to pay the debt service on the Bonds and the Outstanding Bonds. See "THE BONDS—Authority for Issuance."

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On November 4, 2014, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional bonds payable in whole or in part from taxes which may be issued in the future by the District. The District levied a maintenance tax for 2017 in the amount of \$0.33 per \$100 assessed valuation.

**Principal Taxpayers**

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified 2017 tax roll of \$220,899,125, which reflects ownership at January 1, 2017. A taxpayer list related to the uncertified portion of the 2017 tax roll (\$1,448,684) is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2017 Assessed Valuation</u>	<u>Percentage of Certified Tax Roll</u>
Barker Cypress 55 Ltd.	Land & Improvements	\$ 4,615,000	2.09%
ESA Real Estate LLC	Land & Improvements	2,674,789	1.21%
Mex Investor Company LLC	Land & Improvements	2,413,439	1.09%
Pham Co.	Land & Improvements	2,077,882	0.94%
BC 78 LP	Land & Improvements	1,729,863	0.78%
Wheatley Real Estate Holding	Land & Improvements	1,457,720	0.66%
Century Air Conditioning	Personal Property	1,303,419	0.59%
Comcast IP Services II LLP	Personal Property	1,276,331	0.58%
TWM BC LLC	Land & Improvements	1,190,619	0.54%
Norhwest Best Machine Shop LLC	Personal Property	1,143,939	0.52%
Total		\$ 19,883,001	9.00%

**Summary of Assessed Valuation**

The following breakdown of the 2013 through 2017 certified taxable assessed valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2013 through 2017 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. A breakdown related to the uncertified portion of the 2017 tax roll (\$1,448,684) is not available.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 45,631,764	\$ 39,211,244	\$ 39,147,284	\$ 33,044,527	\$ 26,530,268
Improvements	179,279,302	170,610,195	160,062,526	141,837,450	125,878,516
Personal Property	9,612,294	10,052,875	7,643,361	7,066,889	5,255,157
Less: Exemptions	(13,624,235)	(15,640,005)	(19,009,738)	(11,790,518)	(4,518,680)
Uncertified Value	1,448,684	-	-	-	-
Total Assessed Valuation	\$ 222,347,809	\$ 204,234,309	\$ 187,843,433	\$ 170,158,348	\$ 153,145,261

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2017 Taxable Assessed Valuation and no use of debt service funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2018-2031) .....	\$345,420
\$0.17 Tax Rate on 2017 Taxable Assessed Valuation at 95% collections.....	\$359,092
Maximum Annual Debt Service Requirement (2021) .....	\$446,181
\$0.22 Tax Rate on 2017 Taxable Assessed Valuation at 95% collections.....	\$464,707

## **TAX PROCEDURES**

### **Property Tax Code and County-Wide Appraisal District**

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

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2018 tax year, the District has granted an exemption of \$15,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2018, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

### **General Residential Homestead Exemption**

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2018 tax year, the District has not granted a general residential homestead exemption.

### **Valuation of Property for Taxation**

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

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.



## **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2017, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

## **Tax Abatement**

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

## **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180<sup>th</sup>) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) effective September 1, 2017, qualifies as a disabled veteran under Texas law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

**District's Rights in the Event of Tax Delinquencies**

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

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

**DEBT SERVICE REQUIREMENTS**

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

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2018	\$ 360,950		\$ 35,084	\$ 35,084	\$ 396,034
2019	362,281		70,169	70,169	432,450
2020	372,350		70,169	70,169	442,519
2021	376,013		70,169	70,169	446,181
2022	-	\$ 275,000	67,419	342,419	342,419
2023	-	275,000	61,919	336,919	336,919
2024	-	275,000	56,075	331,075	331,075
2025	-	275,000	49,716	324,716	324,716
2026	-	275,000	43,013	318,013	318,013
2027	-	275,000	35,794	310,794	310,794
2028	-	275,000	28,231	303,231	303,231
2029	-	275,000	20,325	295,325	295,325
2030	-	270,000	12,150	282,150	282,150
2031	-	270,000	4,050	274,050	274,050
	\$ 1,471,594	\$ 2,740,000	\$ 624,281	\$ 3,364,281	\$ 4,835,875

Maximum Annual Debt Service Requirement (2021) .....	\$446,181
Average Annual Debt Service Requirements (2018-2031) .....	\$345,420

## **INVESTMENT CONSIDERATIONS**

### **General**

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

### **Hurricane Harvey**

The Houston area, including Harris County, sustained widespread 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. The District is located approximately 70 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

According to the Operator and Engineer, the District's water, sewer, and drainage system did not sustain any material damage and there was no interruption of water and sewer service. However, the sewage treatment plant operated by Jackrabbit Road PUD, which provides sewage treatment for the District, was flooded and the mechanical, electrical and other critical components of such facilities suffered extensive damage. Jackrabbit Road PUD has filed insurance and FEMA claims for the cost of repairs to such facilities and has no estimate of the cost, if any, that will be incurred by the District as a result of Hurricane Harvey. The District is not aware of any homes or other improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes and commercial improvements within the District.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and commercial property. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

### **Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2017 Taxable Assessed Valuation of the District is \$222,347,809. See "FINANCIAL STATEMENT". After issuance of the Bonds, the maximum annual debt service requirement will be \$446,181 (2021) and the average annual debt service requirement will be \$345,420 (2018-2031). Assuming no increase or decrease from the 2017 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.22 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$446,181 and a tax rate of \$0.17 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$345,420. See "DEBT SERVICE REQUIREMENTS". Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2017 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event taxable values continue to decline or a significant number of taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$41,625,000 principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and after the issuance of the Bonds, \$25,760,000 principal amount of such unlimited tax bonds will remain authorized but unissued. The District may only issue additional unlimited bonds if such bonds are voted in the future. See "THE BONDS—Issuance of Additional Debt and—Financing Parks and Recreational Facilities." The issuance of such future obligations may adversely affect the investment security of the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sanitary sewer and drainage purposes is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

### **Environmental and Air Quality Regulations**

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district (“Utility Districts”) for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and injunctive relief as to future compliance of and the ability to operate the Utility District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Utility Districts, including the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

***Air Quality Issues.*** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (“TCEQ” or the “Commission”) may impact new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston area (“HGB area”) — Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties — was originally designated by the EPA as a moderate ozone nonattainment area for the “8-hour” ozone standard. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s “8-hour” ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA’s standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

In order to comply with the EPA’s standards for the HGB area, the TCEQ has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. On June 15, 2007, the Governor of the State of Texas requested a voluntary reclassification of the HGB area to a severe ozone nonattainment area for the 8-hour ozone standard, with an attainment date of June 15, 2019. On October 1, 2008, the EPA granted this request. The severe classification will give the HGB area more time to reach attainment. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. These additional controls could have a negative impact on the HGB area’s economic growth and development.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion (“ppb”) to 70 ppb. This could make it more difficult for the HGB Area to demonstrate progress in reducing ozone concentration.

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

Pursuant to the Safe Drinking Water Act (“SDWA”), potable (drinking) water provided by a Utility District to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Operations of the District's sewer facilities will be subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued pursuant to the National Pollutant Discharge Elimination System ("NPDES") program. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant District Elimination System program.

Construction activities and operations of Utility Districts, such as the District, are also potentially subject to stormwater discharge permitting requirements under provisions from Section 402 of the Clean Water Act and Chapter 26 of the Texas Water Code. The permitting process is, in most instances, managed by the Commission through its Texas Pollutant Discharge Elimination System ("TPDES").

The Commission reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. TXR150000 became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. Construction activity by the District (or by its Developer) may require coverage under TXR150000.

The Commission reissued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (TXR040000) on December 13, 2013. TXR040000 became effective on December 13, 2013 and authorizes the discharge of stormwater to surface waters within the state from small municipal separate storm sewer systems ("Small MS4s"). TXR040000, as reissued, impacts a much greater number of Small MS4s that were not subject to the prior permit due to the 2010 Urbanized Area data released from the US Census Bureau. TXR040000, as reissued, also contains more stringent requirements compared to the prior permit. Small MS4s that are subject to TXR040000, as reissued, must have applied for authorization under such permit by June 11, 2014. Notwithstanding the foregoing, the District is located within Harris County and its Small MS4 is subject to regulation by Harris County. Harris County, along with the City of Houston, Harris County Flood Control District, and the Texas Department of Transportation (collectively, the "Joint Task Force") have been issued a joint permit by the United States Environmental Protection Agency which authorizes the discharge of stormwater to surface waters within the state from their respective separate storm sewer systems. Joint Task Force members regulate stormwater discharges within their respective jurisdictions. Harris County regulates the District's Small MS4 and, therefore, the Commission does not at this time require the District to obtain coverage under TXR040000. Small MS4 regulation by Joint Task Force members may change in the future and the Commission may require the District to obtain coverage under TXR040000 in the future.

Operations of Utility Districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

### **Tax Collection Limitations**

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

### **Registered Owners' Remedies**

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

### **Bankruptcy Limitation to Registered Owners' Rights**

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **Continuing Compliance with Certain Covenants**

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

### **Marketability**

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

### **Future and Proposed Legislation**

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

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

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

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

## Legal Review

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

## Tax Exemption

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

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

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

## Qualified Tax-Exempt Obligations

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

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

## Collateral Federal Income Tax Consequences

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



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

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

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

#### **State, Local and Foreign Taxes**

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

#### **Tax Accounting Treatment of Original Issue Discount and Premium Bonds**

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

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

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

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

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

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

## **REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS**

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

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

## **NO MATERIAL ADVERSE CHANGE**

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

## **NO-LITIGATION CERTIFICATE**

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

## **SALE AND DISTRIBUTION OF THE BONDS**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0405% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.033859 % as calculated pursuant to Chapter 1204, Texas Government Code.

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

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

## **MUNICIPAL BOND RATING**

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). S&P has also assigned an underlying rating to the District of "A" on the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://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](http://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, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 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](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinights/](http://buildamerica.com/creditinights/). (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/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

## **Financial Advisor**

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

“THE DISTRICT”—Jones & Carter, Inc.; “TAX PROCEDURES”—Bob Leared Interests, Inc. and Schwartz, Page & Harding, L.L.P.; “THE SYSTEM”—Jones & Carter, Inc.; “THE BONDS” and “LEGAL MATTERS”—Schwartz, Page & Harding, L.L.P.; “FINANCIAL STATEMENT” and “TAX DATA”—Harris County Appraisal District, Bob Leared Interests, Inc. and the Municipal Advisory Council of Texas.

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

## **Consultants**

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

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

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

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

**Auditor:** The District’s financial statements for the year ended June 30, 2017, were audited by BKD, LLP. See “APPENDIX A” for a copy of the District’s June 30, 2017 audited financial statements. The District did not request BKD, LLP, to perform any updating procedures subsequent to the date of its audit report on the June 30, 2017, financial statements.

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

## **UPDATING OF OFFICIAL STATEMENT**

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

## **CERTIFICATION OF OFFICIAL STATEMENT**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. In the Bond Order, the District has made the following agreement for the benefit of the Registered and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or to any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District will be the District's audited financial statements (APPENDIX A). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2018. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements for the District are not provided to the District within the required time, the District will provide unaudited financial statements within the required time period and will provide such audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the District's audit report or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Event Notices**

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

makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

#### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

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

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

#### **Compliance With Prior Undertakings**

During the last five years, the District believes it has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12, which included an undertaking to provide notice of rating changes to the MSRB in a timely manner. Pursuant to its undertaking, the District provided notice to the MSRB on May 2, 2014, of a March 18, 2014 upgrade in the rating assigned by S&P to the financial strength rating of Assured Guaranty Municipal Corp. from “AA-” to “AA.” The Outstanding Bonds of the District are insured by AGM, and therefore, the rating assigned to such bonds was upgraded from “AA-” to “AA” by S&P.

### **MISCELLANEOUS**

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 183, as of the date shown on the cover page.

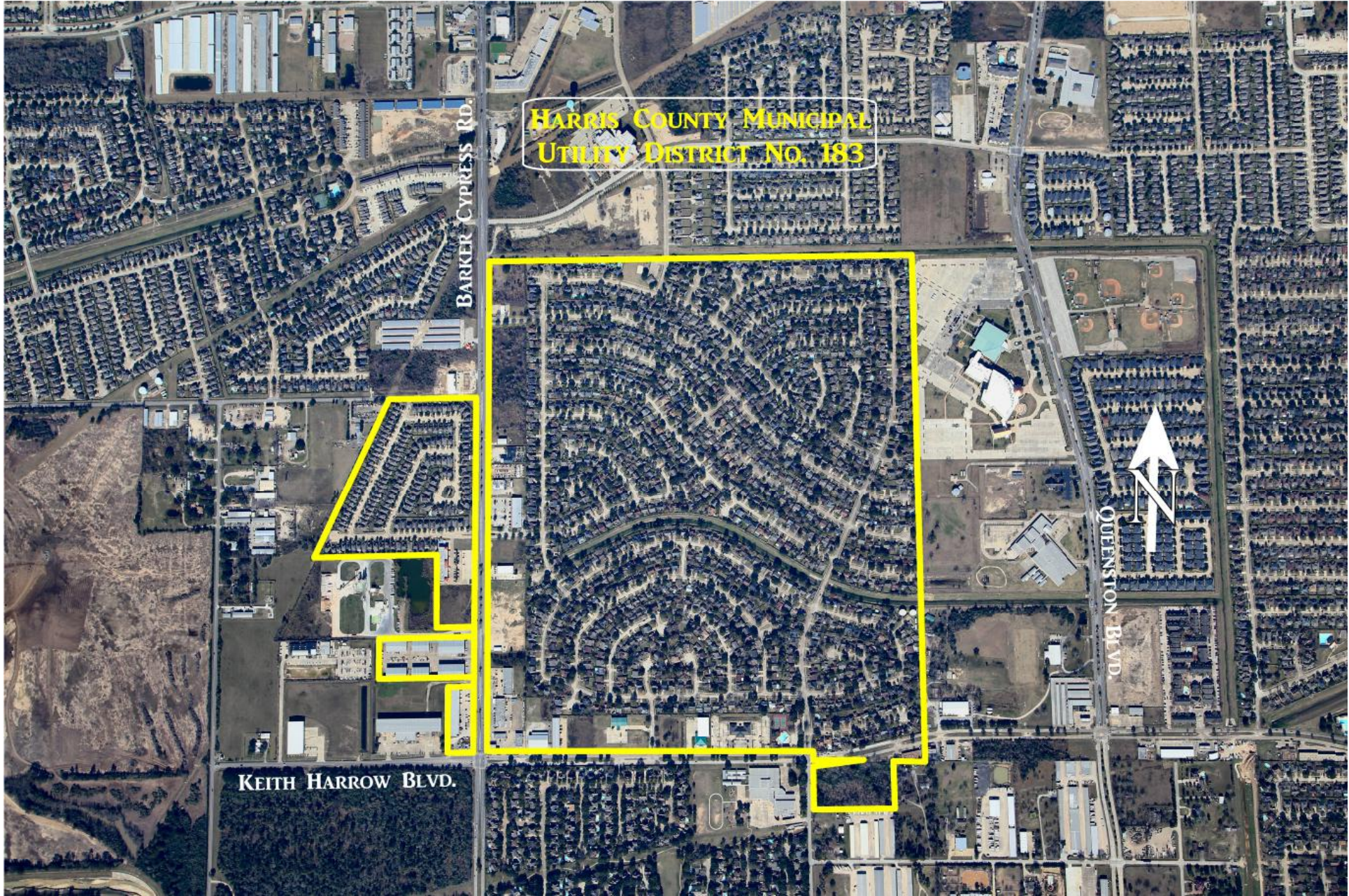
/s/ Jeff Zarse  
President, Board of Directors  
Harris County Municipal Utility District No. 183

ATTEST:

/s/ Dody M. Bradford  
Secretary, Board of Directors  
Harris County Municipal Utility District No. 183

**AERIAL PHOTO**  
**(Approximate boundaries as of January, 2018)**





HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 183

BARKER CYPRESS RD.

QUEENSTON BLVD.

KEITH HARROW BLVD.

## **PHOTOGRAPHS**

The following photographs were taken in the District in January 2018 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.

















## **APPENDIX A**

### **District Audited Financial Statements for the fiscal year ended June 30, 2017**

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Harris County Municipal Utility District No. 183 and certain supplemental information for the fiscal year ended June 30, 2017.

# **Harris County Municipal Utility District No. 183**

Harris County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2017



**Harris County Municipal Utility District No. 183**  
**June 30, 2017**

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## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 183  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities of Harris County Municipal Utility District No. 183 (the District), which are comprised of a statement of net position as of June 30, 2017, and a statement of activities for the year then ended; as well as the accompanying financial statements of each major fund, which for governmental funds are comprised of a balance sheet as of June 30, 2017, and a statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
November 9, 2017

# **Harris County Municipal Utility District No. 183**

## **Management's Discussion and Analysis**

### **June 30, 2017**

#### **Overview of the Financial Statements**

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

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

#### **Government-wide Financial Statements**

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

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

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

**Harris County Municipal Utility District No. 183**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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



**Harris County Municipal Utility District No. 183**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

	<b><u>2017</u></b>	<b><u>2016</u></b>
Current and other assets	\$ 2,379,390	\$ 2,364,143
Capital assets	<u>4,194,347</u>	<u>4,356,941</u>
Total assets	<u>\$ 6,573,737</u>	<u>\$ 6,721,084</u>
Long-term liabilities	\$ 1,357,306	\$ 1,660,893
Other liabilities	<u>155,745</u>	<u>131,501</u>
Total liabilities	<u>1,513,051</u>	<u>1,792,394</u>
Net position:		
Net investment in capital assets	2,837,041	2,868,797
Restricted	518,519	588,796
Unrestricted	<u>1,705,126</u>	<u>1,471,097</u>
Total net position	<u>\$ 5,060,686</u>	<u>\$ 4,928,690</u>

The total net position of the District increased by \$131,996, or about 3 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is included in long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b><u>2017</u></b>	<b><u>2016</u></b>
Revenues:		
Property taxes	\$ 998,416	\$ 959,162
City of Houston rebates	75,686	71,242
Charges for services	745,132	739,286
Other revenues	<u>53,318</u>	<u>53,257</u>
Total revenues	<u>1,872,552</u>	<u>1,822,947</u>

**Harris County Municipal Utility District No. 183**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

**Summary of Changes in Net Position (Continued)**

	<b>2017</b>	<b>2016</b>
Expenses:		
Services	\$ 1,474,701	\$ 1,317,697
Depreciation	213,855	211,369
Debt service	52,000	57,826
Total expenses	1,740,556	1,586,892
Change in net position	131,996	236,055
Net position, beginning of year	4,928,690	4,692,635
Net position, end of year	\$ 5,060,686	\$ 4,928,690

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended June 30, 2017, were \$2,205,650, a decrease of \$4,030 from the prior year.

The general fund's fund balance increased by \$235,783. This increase was primarily due to property taxes, sales tax rebates and service revenues exceeding service operations expenditures.

The debt service fund's fund balance decreased by \$58,674 because bond principal and interest requirements were greater than tax revenues generated.

The capital projects fund's fund balance decreased by \$181,139. This net decrease was primarily due to capital outlay expenditures related to cleaning and televising the sanitary sewer lines within the District.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to regional water fee revenues, as well as purchased sewer services, professional fees and capital outlay expenditures being lower than anticipated. In addition, tap connection and inspection fee revenues and related expenditures included in the current year budget were not incurred. The fund balance as of June 30, 2017, was expected to be \$1,465,631 and the actual end-of-year fund balance was \$1,687,396.

**Harris County Municipal Utility District No. 183**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

**Capital Assets and Related Debt**

**Capital Assets**

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

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2017</b>	<b>2016</b>
Land and improvements	\$ 57,108	\$ 57,108
Construction in progress	634,667	633,125
Water facilities	1,299,746	1,380,665
Wastewater facilities	2,202,826	2,286,043
Total capital assets	\$ 4,194,347	\$ 4,356,941

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

Construction in progress related to the headworks conveyor replacement and water plant No. 1 analyzer replacement	\$ 20,241
Splitter box replacement	49,719
Total current year additions	\$ 69,960

**Debt**

The changes in the debt position of the District during the fiscal year ended June 30, 2017, are summarized as follows:

Long-term debt payable, beginning of year	\$ 1,660,893
Decreases in long-term debt	(303,587)
Long-term debt payable, end of year	\$ 1,357,306

At June 30, 2017, the District had \$28,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A-." The Series 2011 bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

**Harris County Municipal Utility District No. 183**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

**Other Relevant Factors**

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective December 19, 2011, the District entered into a Strategic Partnership Agreement with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years.

**Harris County Municipal Utility District No. 183**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 81,263	\$ 37,493	\$ 100	\$ 118,856	\$ -	\$ 118,856
Certificates of deposit	1,025,000	310,000	-	1,335,000	-	1,335,000
Short-term investments	369,548	50,990	338,723	759,261	-	759,261
Receivables:						
Property taxes	9,717	5,563	-	15,280	-	15,280
Service accounts	76,130	-	-	76,130	-	76,130
Sales tax rebates	13,874	-	-	13,874	8,013	21,887
Accrued penalty and interest	-	-	-	-	4,705	4,705
Accrued interest	2,188	610	-	2,798	-	2,798
Interfund receivable	222,313	2,651	-	224,964	(224,964)	-
Prepaid expenditures	45,473	-	-	45,473	-	45,473
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	57,108	57,108
Infrastructure	-	-	-	-	3,502,572	3,502,572
Construction in progress	-	-	-	-	634,667	634,667
<b>Total assets</b>	<b>\$ 1,845,506</b>	<b>\$ 407,307</b>	<b>\$ 338,823</b>	<b>\$ 2,591,636</b>	<b>\$ 3,982,101</b>	<b>\$ 6,573,737</b>

**Harris County Municipal Utility District No. 183**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**June 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 108,567	\$ -	\$ -	\$ 108,567	\$ -	\$ 108,567
Accrued interest payable	-	-	-	-	10,003	10,003
Customer deposits	37,175	-	-	37,175	-	37,175
Interfund payable	2,651	-	222,313	224,964	(224,964)	-
Long-term liabilities:						
Due within one year	-	-	-	-	325,000	325,000
Due after one year	-	-	-	-	1,032,306	1,032,306
Total liabilities	148,393	0	222,313	370,706	1,142,345	1,513,051
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	9,717	5,563	0	15,280	(15,280)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	11,192	-	-	11,192	(11,192)	-
Restricted:						
Debt service on unlimited tax bonds	-	401,744	-	401,744	(401,744)	-
Water, sewer and drainage	-	-	116,510	116,510	(116,510)	-
Assigned, operating reserve	34,281	-	-	34,281	(34,281)	-
Unassigned	1,641,923	-	-	1,641,923	(1,641,923)	-
Total fund balances	1,687,396	401,744	116,510	2,205,650	(2,205,650)	0
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,845,506</u>	<u>\$ 407,307</u>	<u>\$ 338,823</u>	<u>\$ 2,591,636</u>		
Net position:						
Net investment in capital assets					2,837,041	2,837,041
Restricted for debt service					402,009	402,009
Restricted for capital projects					116,510	116,510
Unrestricted					1,705,126	1,705,126
Total net position					<u>\$ 5,060,686</u>	<u>\$ 5,060,686</u>

**Harris County Municipal Utility District No. 183**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 694,367	\$ 307,421	\$ -	\$ 1,001,788	\$ (3,372)	\$ 998,416
Sales tax rebates	76,217	-	-	76,217	(531)	75,686
Water service	233,164	-	-	233,164	-	233,164
Sewer service	217,198	-	-	217,198	-	217,198
Regional water fee	294,770	-	-	294,770	-	294,770
Penalty and interest	28,842	14,101	-	42,943	(2,614)	40,329
Investment income	8,586	2,974	1,429	12,989	-	12,989
<b>Total revenues</b>	<b>1,553,144</b>	<b>324,496</b>	<b>1,429</b>	<b>1,879,069</b>	<b>(6,517)</b>	<b>1,872,552</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services, sewer	172,729	-	-	172,729	-	172,729
Purchased services, water	303,970	-	-	303,970	-	303,970
Regional water fee	20,211	-	-	20,211	-	20,211
Professional fees	140,281	2,678	-	142,959	-	142,959
Contracted services	283,428	19,316	-	302,744	-	302,744
Utilities	29,493	-	-	29,493	-	29,493
Repairs and maintenance	228,586	-	-	228,586	183,985	412,571
Other expenditures	85,680	4,039	305	90,024	-	90,024
Capital outlay	52,983	-	182,263	235,246	(235,246)	-
Depreciation	-	-	-	-	213,855	213,855
Debt service:						
Principal retirement	-	310,000	-	310,000	(310,000)	-
Interest and fees	-	47,137	-	47,137	4,863	52,000
<b>Total expenditures/expenses</b>	<b>1,317,361</b>	<b>383,170</b>	<b>182,568</b>	<b>1,883,099</b>	<b>(142,543)</b>	<b>1,740,556</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>235,783</b>	<b>(58,674)</b>	<b>(181,139)</b>	<b>(4,030)</b>	<b>4,030</b>	
<b>Change in Net Position</b>					<b>131,996</b>	<b>131,996</b>
<b>Fund Balances/Net Position</b>						
Beginning of year	1,451,613	460,418	297,649	2,209,680	-	4,928,690
End of year	\$ 1,687,396	\$ 401,744	\$ 116,510	\$ 2,205,650	\$ 0	\$ 5,060,686

# Harris County Municipal Utility District No. 183

## Notes to Financial Statements

June 30, 2017

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

Harris County Municipal Utility District No. 183 (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective July 10, 1979. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

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

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



# Harris County Municipal Utility District No. 183

## Notes to Financial Statements

### June 30, 2017

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

The District presents the following major governmental funds:

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

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

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

#### **Fund Balances – Governmental Funds**

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

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

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

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

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

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

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

# Harris County Municipal Utility District No. 183

## Notes to Financial Statements

June 30, 2017

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide Financial Statements**

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

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

#### **Fund Financial Statements**

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

### ***Deferred Outflows and Inflows of Resources***

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

# Harris County Municipal Utility District No. 183

## Notes to Financial Statements

June 30, 2017

### ***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

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

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2017, include collections during the current period or within 60 days of year-end related to the 2016 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2017, the 2016 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

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

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

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

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

**Debt Issuance Costs**

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

**Long-term Obligations**

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

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

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

***Net Position/Fund Balances***

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

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

***Reconciliation of Government-wide and Fund Financial Statements***

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 4,194,347
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	15,280
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	4,705
Receivable for sales tax rebates is not available in the current period and is not reported in the funds.	8,013
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(10,003)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(1,357,306)
Adjustment to fund balances to arrive at net position.	<u><u>\$ 2,855,036</u></u>

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

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

Change in fund balances.	\$	(4,030)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current period.		(162,594)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.		310,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(6,517)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(4,863)</u>
Change in net position of governmental activities.	<u>\$</u>	<u>131,996</u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

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

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

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

At June 30, 2017, none of the District's bank balances were exposed to custodial credit risk.

**Investments**

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

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

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

At June 30, 2017, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 759,261	\$ 759,261	\$ 0	\$ 0	\$ 0

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

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2017, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

***Summary of Carrying Values***

The carrying values of deposits and investments shown previously are included in the balance sheet at June 30, 2017, as follows:

Carrying value:		
Deposits	\$	1,453,856
Investments		759,261
Total	\$	2,213,117

Included in the following statement of net position captions:

Cash	\$	118,856
Certificates of deposit		1,335,000
Short-term investments		759,261
Total	\$	2,213,117

***Investment Income***

Investment income of \$12,989 for the year ended June 30, 2017, consisted of interest income.

***Fair Value Measurements***

The District has the following recurring fair value measurements as of June 30, 2017:

- Pooled investments of \$759,261 are valued at fair value per share of the pool's underlying portfolio.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2017, is presented below.



**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:				
Land and improvements	\$ 57,108	\$ -	\$ -	\$ 57,108
Construction in process	633,125	20,241	(18,699)	634,667
Total capital assets, non-depreciable	690,233	20,241	(18,699)	691,775
Capital assets, depreciable:				
Water production and distribution facilities	3,674,672	-	-	3,674,672
Wastewater collection and treatment facilities	3,676,135	49,719	-	3,725,854
Total capital assets, depreciable	7,350,807	49,719	0	7,400,526
Less accumulated depreciation:				
Water production and distribution facilities	(2,294,007)	(80,919)	-	(2,374,926)
Wastewater collection and treatment facilities	(1,390,092)	(132,936)	-	(1,523,028)
Total accumulated depreciation	(3,684,099)	(213,855)	0	(3,897,954)
Total governmental activities, net	\$ 4,356,941	\$ (143,895)	\$ (18,699)	\$ 4,194,347

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2017, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 1,695,000	\$ 310,000	\$ 1,385,000	\$ 325,000
Less discounts on bonds	34,107	6,413	27,694	-
Total governmental activities long-term liabilities	\$ 1,660,893	\$ 303,587	\$ 1,357,306	\$ 325,000

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

**General Obligation Bonds**

	<b>Series 2011</b>
Amount outstanding, June 30, 2017	\$1,385,000
Interest rates	2.00% to 3.25%
Maturity dates, serially beginning/ending	April 1, 2018/2021
Interest payment dates	October 1/ April 1
Callable date*	April 1, 2019

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on the District's general obligation bonds outstanding at June 30, 2017.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 325,000	\$ 40,013	\$ 365,013
2019	335,000	31,888	366,888
2020	355,000	22,675	377,675
2021	370,000	12,025	382,025
Total	\$ 1,385,000	\$ 106,601	\$ 1,491,601

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount, and are further payable from and secured by a lien on and a pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

Bonds voted	\$ 41,625,000
Bonds sold	13,125,000
Refunding bonds voted	41,625,000
Refunding bonds sold	5,540,000

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5: Significant Bond Order and Commission Requirements**

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2017, the District levied an ad valorem debt service tax at the rate of \$0.1500 per \$100 of assessed valuation, which resulted in a tax levy of \$306,419 on the taxable valuation of \$204,279,186 for the 2016 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$353,112 of which \$333,106 has been paid and \$20,006 is due October 1, 2017.

**Note 6: Maintenance Taxes**

At an election held November 4, 2014, voters authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property within the District subject to taxation. During the year ended June 30, 2017, the District levied an ad valorem maintenance tax at the rate of \$0.3400 per \$100 of assessed valuation, which resulted in a tax levy of \$694,549 on the taxable valuation of \$204,279,186 for the 2016 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

**Note 7: Contracts With Other Districts**

The District has entered into a contract whereby Jackrabbit Road Public Utility District (Jackrabbit) has agreed to provide the regional wastewater treatment and disposal facilities necessary to serve several participating districts, including the District. The contract has a term of 35 years. Jackrabbit operates the facilities and holds title for the benefit of participants. Participants are billed monthly for their pro rata share of operating costs based on percent-capacity owned. The participants are as follows.

Participants	Percentage Capacity
Barker-Cypress Municipal Utility District	21.86%
The District	12.45
Harris County Utility District No. 6	30.43
Harris County Municipal Utility District No. 136	9.80
Jackrabbit	21.59
Harris County Municipal Utility District No. 276	3.87
Total	100.00%

**Harris County Municipal Utility District No. 183**  
**Notes to Financial Statements**  
**June 30, 2017**

The following summarizes condensed audited financial information of the general fund of Jackrabbit Road Wastewater Treatment Facilities (the Plant) for the year ended July 31, 2016.

	<b>General Fund</b>
Total assets	\$ 411,392
Total liabilities	\$ 116,376
Total fund balance	295,016
Total liabilities and fund balance	\$ 411,392
Revenues	\$ 1,373,337
Expenditures	1,373,337
Excess revenues	\$ 0

The District owns 635,000 gallons-per-day capacity in the Plant and has \$34,281 on deposit with Jackrabbit for its share of an operating reserve. For the year ended June 30, 2017, the District incurred \$172,729 for its share of operating costs.

**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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Note 9: Strategic Partnership Agreement**

Effective December 19, 2011, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement), under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district, as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and

# **Harris County Municipal Utility District No. 183**

## **Notes to Financial Statements**

**June 30, 2017**

drainage services within the District in lieu of full purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$75,686 in revenues related to the Agreement.

### **Note 10: Regional Water Authority**

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of June 30, 2017, the Authority was billing the District \$2.45 per 1,000 gallons of water pumped from its wells and \$2.85 per 1,000 gallons of surface water received. These amounts are subject to future increases.

## **Required Supplementary Information**

**Harris County Municipal Utility District No. 183**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2017**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 693,300	\$ 694,367	\$ 1,067
Sales tax rebates	67,000	76,217	9,217
Water service	243,700	233,164	(10,536)
Sewer service	215,000	217,198	2,198
Regional water fee	315,000	294,770	(20,230)
Penalty and interest	28,450	28,842	392
Tap connection and inspection fees	18,450	-	(18,450)
Investment income	5,600	8,586	2,986
Total revenues	<u>1,586,500</u>	<u>1,553,144</u>	<u>(33,356)</u>
<b>Expenditures</b>			
Service operations:			
Purchased services, sewer	218,000	172,729	45,271
Purchased services, water	304,000	303,970	30
Regional water fee	21,000	20,211	789
Professional fees	188,500	140,281	48,219
Contracted services	271,000	283,428	(12,428)
Utilities	32,000	29,493	2,507
Repairs and maintenance	248,100	228,586	19,514
Other expenditures	83,882	85,680	(1,798)
Tap connections	6,000	-	6,000
Capital outlay	200,000	52,983	147,017
Total expenditures	<u>1,572,482</u>	<u>1,317,361</u>	<u>255,121</u>
<b>Excess of Revenues Over Expenditures</b>	14,018	235,783	221,765
<b>Fund Balance, Beginning of Year</b>	<u>1,451,613</u>	<u>1,451,613</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 1,465,631</u></u>	<u><u>\$ 1,687,396</u></u>	<u><u>\$ 221,765</u></u>

**Harris County Municipal Utility District No. 183**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's Board of Directors and its consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2017.

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



## **Other Information**

**Harris County Municipal Utility District No. 183**  
**Other Schedules Included Within This Report**  
**June 30, 2017**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 12-25
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

**Harris County Municipal Utility District No. 183**  
**Schedule of Services and Rates**  
**Year Ended June 30, 2017**

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 10.00	4,000	N	\$ 1.00	4,001 to 15,000
				\$ 1.50	15,001 to 30,000
				\$ 2.00	30,001 to No Limit
Wastewater:	\$ 13.50	0	Y		
Regional water fee:	\$ 2.85	1,000	N	\$ 2.85	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):			Water	\$ 44.50	Wastewater \$ 13.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,316	1,299	x1.0	1,299
1"	5	5	x2.5	13
1 1/2"	3	3	x5.0	15
2"	10	10	x8.0	80
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,335	1,318		1,457
Total wastewater	1,320	1,303	x1.0	1,303

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

Gallons pumped into the system:	118,325
Gallons billed to customers:	112,326
Water accountability ratio (gallons billed/gallons pumped):	94.93%

\*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 183**  
**Schedule of General Fund Expenditures**  
**Year Ended June 30, 2017**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 16,600	
Legal	78,339	
Engineering	45,342	
Financial advisor	-	140,281
<b>Purchased Services for Resale</b>		
Bulk water	303,970	
Wastewater service	172,729	476,699
<b>Regional Water Fee</b>		20,211
<b>Contracted Services</b>		
Bookkeeping	21,665	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	175,354	
Other contracted services	86,409	283,428
<b>Utilities</b>		29,493
<b>Repairs and Maintenance</b>		228,586
<b>Administrative Expenditures</b>		
Directors' fees	14,550	
Office supplies	4,242	
Insurance	11,666	
Other administrative expenditures	55,222	85,680
<b>Capital Outlay</b>		
Capitalized assets	52,983	
Expenditures not capitalized	-	52,983
<b>Tap Connection Expenditures</b>		-
<b>Solid Waste Disposal</b>		-
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		-
Total expenditures		<u>\$ 1,317,361</u>

**Harris County Municipal Utility District No. 183**  
**Schedule of Temporary Investments**  
**June 30, 2017**

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
<b>General Fund</b>				
Certificates of Deposit				
No. 1002457520	0.85%	05/27/18	\$ 100,000	\$ 79
No. 1002965193	0.50%	12/01/17	145,000	425
No. 44935	0.90%	02/28/18	240,000	704
No. 220006200	0.60%	09/06/17	100,000	500
No. 62090	1.00%	05/03/18	240,000	375
No. 316455	1.00%	06/20/18	100,000	27
No. 3116003398	0.50%	07/01/17	100,000	78
Texas CLASS	1.17%	Demand	369,548	-
			<u>1,394,548</u>	<u>2,188</u>
<b>Debt Service Fund</b>				
Certificates of Deposit				
No. 62091	1.00%	05/03/18	100,000	156
No. 3216000156	0.83%	03/27/18	210,000	454
Texas CLASS	1.17%	Demand	50,990	-
			<u>360,990</u>	<u>610</u>
<b>Capital Projects Fund</b>				
Texas CLASS	1.17%	Demand	29,745	-
Texas CLASS	1.17%	Demand	308,978	-
			<u>338,723</u>	<u>0</u>
Totals			<u>\$ 2,094,261</u>	<u>\$ 2,798</u>

**Harris County Municipal Utility District No. 183**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended June 30, 2017**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 10,940	\$ 7,712
Additions and corrections to prior years' taxes	(1,405)	(1,147)
Adjusted receivable, beginning of year	9,535	6,565
 <b>2016 Original Tax Levy</b>	 614,659	 271,173
Additions and corrections	79,890	35,246
Adjusted tax levy	694,549	306,419
Total to be accounted for	704,084	312,984
Tax collections: Current year	(687,746)	(303,417)
Prior years	(6,621)	(4,004)
Receivable, end of year	\$ 9,717	\$ 5,563
 <b>Receivable, by Years</b>		
2016	\$ 6,803	\$ 3,002
2015	1,222	558
2014	245	274
2013	216	250
2012	316	367
2011	255	344
2010	342	397
2009	318	371
Receivable, end of year	\$ 9,717	\$ 5,563

**Harris County Municipal Utility District No. 183**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended June 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Property Valuations</b>				
Land	\$ 39,211,244	\$ 39,147,284	\$ 33,044,527	\$ 26,530,268
Improvements	170,610,195	160,208,711	141,929,738	126,127,476
Personal property	10,067,950	7,522,057	6,991,130	5,215,435
Exemptions	<u>(15,610,203)</u>	<u>(18,816,552)</u>	<u>(11,696,053)</u>	<u>(4,508,390)</u>
Total property valuations	<u>\$ 204,279,186</u>	<u>\$ 188,061,500</u>	<u>\$ 170,269,342</u>	<u>\$ 153,364,789</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.1500	\$ 0.1600	\$ 0.2800	\$ 0.2900
Maintenance tax rates*	<u>0.3400</u>	<u>0.3500</u>	<u>0.2500</u>	<u>0.2500</u>
Total tax rates per \$100 valuation	<u>\$ 0.4900</u>	<u>\$ 0.5100</u>	<u>\$ 0.5300</u>	<u>\$ 0.5400</u>
<b>Tax Levy</b>	<u>\$ 1,000,968</u>	<u>\$ 959,114</u>	<u>\$ 902,428</u>	<u>\$ 828,170</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$1.00 on November 4, 2014

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

**Harris County Municipal Utility District No. 183**  
**Schedule of Long-term Debt Service Requirements by Years**  
**June 30, 2017**

<b>Due During Fiscal Years Ending June 30</b>	<b>Series 2011</b>		
	<b>Principal Due April 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2018	\$ 325,000	\$ 40,013	\$ 365,013
2019	335,000	31,888	366,888
2020	355,000	22,675	377,675
2021	370,000	12,025	382,025
Totals	<u>\$ 1,385,000</u>	<u>\$ 106,601</u>	<u>\$ 1,491,601</u>



**Harris County Municipal Utility District No. 183**  
**Changes in Long-term Bonded Debt**  
**Year Ended June 30, 2017**

	<b>Bond Issue</b>
	<b>Series 2011</b>
Interest rates	2.00% to 3.25%
Dates interest payable	October 1/ April 1
Maturity dates	April 1, 2018/2021
Bonds outstanding, beginning of current year	\$ 1,695,000
Retirements, principal	310,000
Bonds outstanding, end of current year	\$ 1,385,000
Interest paid during current year	\$ 46,213
Paying agent's name and address:	

**Series 2011 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas**

Bond authority:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 41,625,000	0	\$ 41,625,000
Amount issued	\$ 13,125,000	0	\$ 5,540,000
Remaining to be issued	\$ 28,500,000	0	\$ 36,085,000
Debt service fund cash and temporary investment balances as of June 30, 2017:			\$ 398,483
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 372,900

**Harris County Municipal Utility District No. 183**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended June 30,**

	Amounts				
	2017	2016	2015	2014	2013
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 694,367	\$ 656,868	\$ 425,545	\$ 384,610	\$ 401,907
Sales tax rebates	76,217	67,743	61,866	48,217	66,097
Water service	233,164	235,578	218,543	252,593	247,586
Sewer service	217,198	220,892	199,254	218,343	224,423
Regional water fee	294,770	281,516	241,674	273,957	261,135
Bulk water sales	-	1,300	-	-	-
Penalty and interest	28,842	31,954	29,384	24,024	17,792
Tap connection and inspection fees	-	400	5,185	26,465	23,781
Investment income	8,586	6,047	5,658	6,219	6,397
Other income	-	-	-	-	10,694
Total revenues	<u>1,553,144</u>	<u>1,502,298</u>	<u>1,187,109</u>	<u>1,234,428</u>	<u>1,259,812</u>
<b>Expenditures</b>					
Service operations:					
Purchased services, sewer	172,729	167,636	172,455	174,848	183,376
Purchased services, water	303,970	311,678	237,587	278,270	249,735
Regional water fee	20,211	17,766	13,642	22,692	25,676
Professional fees	140,281	210,604	276,738	181,569	187,530
Contracted services	283,428	263,404	228,655	251,348	219,720
Utilities	29,493	32,167	29,821	30,995	32,158
Repairs and maintenance	228,586	221,132	250,161	220,884	186,692
Other expenditures	85,680	65,954	88,323	65,997	64,997
Tap connections	-	-	4,125	5,300	3,515
Capital outlay	52,983	-	28,845	-	-
Total expenditures	<u>1,317,361</u>	<u>1,290,341</u>	<u>1,330,352</u>	<u>1,231,903</u>	<u>1,153,399</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	235,783	211,957	(143,243)	2,525	106,413
<b>Fund Balance, Beginning of Year</b>	<u>1,451,613</u>	<u>1,239,656</u>	<u>1,382,899</u>	<u>1,380,374</u>	<u>1,273,961</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,687,396</u>	<u>\$ 1,451,613</u>	<u>\$ 1,239,656</u>	<u>\$ 1,382,899</u>	<u>\$ 1,380,374</u>
<b>Total Active Retail Water Connections</b>	<u>1,318</u>	<u>1,317</u>	<u>1,316</u>	<u>1,310</u>	<u>1,309</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,303</u>	<u>1,301</u>	<u>1,301</u>	<u>1,296</u>	<u>1,296</u>

**Percent of Fund Total Revenues**

2017	2016	2015	2014	2013
44.7 %	43.7 %	35.8 %	31.2 %	31.9 %
4.9	4.5	5.2	3.9	5.2
15.0	15.7	18.4	20.5	19.7
14.0	14.7	16.8	17.7	17.8
19.0	18.7	20.4	22.2	20.7
-	0.1	-	-	-
1.9	2.1	2.5	1.9	1.4
-	0.1	0.4	2.1	1.9
0.5	0.4	0.5	0.5	0.5
-	-	-	-	0.9
100.0	100.0	100.0	100.0	100.0
11.1	11.2	14.5	14.2	14.6
19.6	20.8	20.0	22.5	19.8
1.3	1.2	1.2	1.8	2.0
9.0	14.0	23.3	14.7	14.9
18.2	17.5	19.3	20.4	17.4
1.9	2.1	2.5	2.5	2.6
14.7	14.7	21.1	17.9	14.8
5.5	4.4	7.5	5.3	5.2
-	-	0.3	0.4	0.3
3.4	-	2.4	-	-
84.7	85.9	112.1	99.7	91.6
15.3 %	14.1 %	(12.1) %	0.3 %	8.4 %

**Harris County Municipal Utility District No. 183**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended June 30,**

	Amounts				
	2017	2016	2015	2014	2013
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 307,421	\$ 304,249	\$ 476,908	\$ 446,483	\$ 467,073
Penalty and interest	14,101	9,484	9,328	13,721	12,808
Investment income	2,974	2,815	2,359	875	900
Total revenues	<u>324,496</u>	<u>316,548</u>	<u>488,595</u>	<u>461,079</u>	<u>480,781</u>
<b>Expenditures</b>					
Current:					
Professional fees	2,678	3,987	2,622	3,420	4,342
Contracted services	19,316	19,264	18,910	18,412	18,945
Other expenditures	4,039	3,462	4,009	2,583	4,232
Debt service:					
Principal retirement	310,000	295,000	285,000	85,000	575,000
Interest and fees	47,137	53,079	58,742	60,363	81,288
Total expenditures	<u>383,170</u>	<u>374,792</u>	<u>369,283</u>	<u>169,778</u>	<u>683,807</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(58,674)	(58,244)	119,312	291,301	(203,026)
<b>Fund Balance, Beginning of Year</b>	<u>460,418</u>	<u>518,662</u>	<u>399,350</u>	<u>108,049</u>	<u>311,075</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 401,744</u></u>	<u><u>\$ 460,418</u></u>	<u><u>\$ 518,662</u></u>	<u><u>\$ 399,350</u></u>	<u><u>\$ 108,049</u></u>

**Percent of Fund Total Revenues**

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
94.7 %	96.1 %	97.6 %	96.8 %	97.1 %
4.4	3.0	1.9	3.0	2.7
0.9	0.9	0.5	0.2	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.8	1.2	0.6	0.7	0.9
6.0	6.1	3.9	4.0	3.9
1.2	1.1	0.8	0.6	0.9
95.5	93.2	58.3	18.4	119.6
<u>14.5</u>	<u>16.8</u>	<u>12.0</u>	<u>13.1</u>	<u>16.9</u>
<u>118.0</u>	<u>118.4</u>	<u>75.6</u>	<u>36.8</u>	<u>142.2</u>
<u>(18.0) %</u>	<u>(18.4) %</u>	<u>24.4 %</u>	<u>63.2 %</u>	<u>(42.2) %</u>

**Harris County Municipal Utility District No. 183**  
**Board Members, Key Personnel and Consultants**  
**Year Ended June 30, 2017**

Complete District mailing address:	Harris County Municipal Utility District No. 183 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 25, 2016
Limit on fees of office that a director may receive during a fiscal year:		\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Jeff Zarse	Elected 05/16- 05/20	\$ 3,450	\$ 2,330	President
Rudy Alvarado	Elected 05/14- 05/18	3,300	1,844	Vice President
Dody Bradford	Elected 05/16- 05/20	3,150	1,557	Secretary
Anthony J. Langley	Elected 05/14- 05/18	1,650	1,148	Assistant Secretary
Brenda McCullah	Elected 05/14- 05/18	3,000	1,531	Assistant Secretary

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

**Harris County Municipal Utility District No. 183**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended June 30, 2017**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
BKD, LLP	06/20/85	\$ 16,600	Auditor
FirstSouthwest, a Division of Hilltop Securities Inc.	10/22/02	0	Financial Advisor
Harris County Appraisal District	Legislative Action	7,316	Appraiser
Jones & Carter, Inc.	08/30/79	123,732	Engineer
Bob Leared	03/17/80	16,039	Tax Assessor/ Collector
Municipal Accounts & Consulting, L.P.	02/22/05	24,910	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/25/96	2,678	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	09/16/82	81,615	Attorney
Si Environmental LLC	05/26/15	276,688	Operator
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	09/28/04	N/A	Bookkeeper's Employees

**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**





**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN