OFFICIAL STATEMENT DATED MARCH 8, 2018

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

THE BONDS HAVE BEEN "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS-QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry-Only

Insured Rating: (AGM): S&P "AA" (stable outlook) See "MUNICIPAL BOND INSURANCE" herein.

\$5,195,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 (A political subdivision of the State of Texas located within Harris County) UNLIMITED TAX BONDS SERIES 2018

The bonds described above (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 62 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

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

Dated: April 1, 2018 Due: March 1, as shown below

Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from April 1, 2018, and is payable on each September 1 and March 1, commencing September 1, 2018 (five months interest), until maturity. The Bonds are not subject to redemption prior to maturity. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



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 ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer").

MATURITY SCHEDULE

			Initial					Initial	
Due	Principal	Interest	Reoffering	CUSIP	Due	Principal	Interest	Reoffering	CUSIP
<u>Mar. 1</u>	Amount	Rate	Yield(a)	Number (b)	<u>Mar. 1</u>	Amount	Rate	Yield(a)	Number (b)
2019	\$ 125,000	5.500 %	1.850	% 414971 CW9	2030	\$ 125,000 (c)	3.000 %	3.250	% 414971 DH1
2020	125,000	5.500	2.000	414971 CX7	2031	130,000 (c)	3.125	3.350	414971 DJ7
2021	125,000	5.500	2.150	414971 CY5	2032	130,000 (c)	3.250	3.400	414971 DK4
2022	125,000	5.500	2.300	414971 CZ2	2033	130,000 (c)	3.250	3.450	414971 DL2
2023	125,000	5.500	2.450	414971 DA6	2034	130,000 (c)	3.375	3.500	414971 DM0
2024	125,000 (c)	3.000	2.600	414971 DB4	2035	130,000 (c)	3.375	3.550	414971 DN8
2025	125,000 (c)	3.000	2.850	414971 DC2	2036	130,000 (c)	3.500	3.600	414971 DP3
2026	125,000 (c)	3.000	3.000	414971 DD0	2037	135,000 (c)	3.500	3.650	414971 DQ1
2027	125,000 (c)	3.000	3.050	414971 DE8	2038	140,000 (c)	3.625	3.700	414971 DR9
2028	125,000 (c)	3.000	3.150	414971 DF5	2039	140,000 (c)	3.625	3.750	414971 DS7
2029	125,000 (c)	3.000	3.200	414971 DG3					

\$2,500,000 Term Bonds due March 1, 2044 (c), 414971 DX6 (b), 3.750% Interest Rate, 3.820% Yield (a)

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 Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about April 12, 2018.

⁽a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. 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, to the date of delivery of the Bonds is to be added to the price.

⁽b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC 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 Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽c) Bonds maturing on and after March 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or in part, on March 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) also are subject to mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions."

TABLE OF CONTENTS

MATURITY SCHEDULE	1
USE OF INFORMATION IN OFFICIAL STATEMENT	2
SALE AND DISTRIBUTION OF THE BONDS	3
OFFICIAL STATEMENT SUMMARY	4
SELECTED FINANCIAL INFORMATION (UNAUDITED)	7
OFFICIAL STATEMENT	8
THE BONDS	8
BOOK-ENTRY-ONLY SYSTEM	14
THE DISTRICT	
MANAGEMENT OF THE DISTRICT	17
PRINCIPAL PROPERTY OWNERS	
THE SYSTEM	
USE AND DISTRIBUTION OF BOND PROCEEDS	21
WATER AND SEWER OPERATIONS	
DEBT SERVICE REQUIREMENTS	23
FINANCIAL STATEMENT	
ESTIMATED OVERLAPPING DEBT	25
TAX DATA	26
TAXING PROCEDURES	28
MUNICIPAL BOND INSURANCE	31
INVESTMENT CONSIDERATIONS	33
LEGAL MATTERS	38
TAX MATTERS	
PREPARATION OF OFFICIAL STATEMENT	
CONTINUING DISCLOSURE OF INFORMATION	
MISCELLANEOUS	
AERIAL PHOTOGRAPH	45
PHOTOGRAPHS OF THE DISTRICT	46
APPENDIX A - FINANCIAL STATEMENT OF THE DISTRICT	
FOR THE YEAR ENDED OCTOBER 31, 2017	
APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY	48

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, 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 Bacon & Wallace, L.L.P., Bond Counsel, 6363 Woodway, Suite 800, Houston, Texas, 77057, for further information.

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

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.822052% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of the Issue Price Certificate, conforming to the requirements in the Notice of Sale, executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used 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 DISTRICT

Description...

Tropical Weather Events; Hurricane Harvey... Harris County Municipal Utility District No. 62 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

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

Hurricane Harvey struck the Houston area on August 26, 2017, resulting in historic levels of rainfall. According to the District's Operator, the District's System experienced some minimal damage; however, there was no interruption of water and sewer service. Further, according to the District's Operator and Engineer, after investigation, although the District experienced some street flooding, there was no apparent damage to homes or commercial improvements within the District. The District has filed a claim for reimbursement of certain damages and expenses related to the storm with FEMA. Hurricane Harvey could have a material impact on the Houston region's economy. 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—Tropical Weather Events; Hurricane Harvey."

The District is located approximately 26 miles west of the central downtown business district of the City of Houston in Harris County, Texas and 2 miles, east of Katy. Access to the District from the City of Houston is provided by Interstate Highway 10 and Grand Parkway. The District lies wholly within the boundaries of Katy Independent School District and is within the extraterritorial jurisdiction of the City of Houston. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

The District encompasses approximately 449 acres of land. Water, sanitary sewer and drainage facilities have been constructed to serve approximately 160 acres of land in the District. Of such acreage, approximately 70 acres have been developed for single family residential purposes, approximately 40 acres have been developed or are currently under construction for multifamily, commercial and other usages, and approximately 50 acres have been developed as two schools and a volunteer fire department which are not subject to taxation by the District. The District also has approximately 27 acres of land in easements, street right-of-way, plant sites, and detention and approximately 262 acres of developable but undeveloped land on which improvements have not been constructed. Of the 262 acres of developable land, all are served with trunk utilities for future commercial and multifamily purposes.

Water, sanitary sewer and drainage facilities have been constructed to serve approximately 70 acres of single family residential development known as Williamsburg Settlement, Section 3 (consisting of 207 single family residential lots). Values of houses in these sections are on the tax rolls of the District for the 2017 tax year averaging from approximately \$160,000 to \$220,000. As of December 15, 2017, the District contained approximately 205 occupied single family homes and 2 vacant single family homes. There is no current single family development activity in the District.

Location...

Status of Development...

Multifamily development in the District includes three apartment projects: Providence Grand Parkway containing 250 apartment units (approximately 97% occupied) and The Luxe at Katy (formerly "The Remington Katy") containing approximately 245 apartment units (approximately 93% occupied) in the District (the remaining 107 units of this project are outside of the District's boundaries). In addition, San Remo, a 333 unit apartment complex, is currently under construction (50% completed) on approximately 17 acres within the District with an expected completion date of December 2018. The District has one other commercial user in the District which is a private day care center.

In November 2016, The University of Houston purchased approximately 46 acres of land, of which approximately 29 acres are located within the District boundaries, from Parkside NEC. Such acreage is served with trunk utilities. Additional utilities for ancillary roadways are currently under construction and expected to be completed in Spring 2018. Campus facilities are in the planning and design phase. The land is tax-exempt and the improvements to be constructed by the University of Houston will be tax-exempt.

See "THE DISTRICT—Status of Development" and "PRINCIPAL PROPERTY OWNERS."

Payment Record...

The District previously issued \$9,345,000 in principal amount of unlimited tax bonds in three series and \$1,800,000 of unlimited tax refunding bonds in one series, of which \$5,160,000 principal amount of which remain outstanding as of February 28, 2018 (the "Outstanding Bonds"). The District has never defaulted on the debt service payments on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds."

THE BONDS

Description...

\$5,195,000 Unlimited Tax Bonds, Series 2018 (the "Bonds") are being issued pursuant to an order authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature on March 1 in each of the years 2019 through 2039, both inclusive, and as term bonds on March 1, 2044 (the "Term Bonds") in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from April 1, 2018, and is payable on September 1, 2018 (five months interest), and each March 1 and September 1 thereafter, until maturity. See "THE BONDS."

Book-Entry-Only System...

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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption...

The Bonds maturing on and after March 1, 2024, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on March 1, 2023, or on any date thereafter. Upon redemption, the Bonds will be payable at a price equal to the principal amount thereof plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS."

Use of Proceeds...

Proceeds from the sale of the Bonds will be used to pay for the items described in "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to pay legal fees, financial advisory fees, administrative costs and certain other costs and engineering reports and fees related to issuance of the Bonds.

Authority for Issuance...

The Bonds are the fourth series of bonds issued out of an aggregate of \$24,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities and for refunding such bonds. The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the bonds (the "Bond Order"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District, an order of the TCEQ, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."

Source of Payment...

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS—Source of Payment."

Municipal Bond Rating and Municipal Bond Insurance...

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a municipal bond rating of "AA" (stable outlook), to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). The District has not applied for an underlying investment grade rating. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE," and "APPENDIX B"

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, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2018 is not expected to exceed \$10,000,000. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Bond Counsel...

Bacon & Wallace, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."

Financial Advisor...

Hilltop Securities Inc., Houston, Texas.

Paying Agent/Registrar...

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2017 Taxable Assessed Valuation Estimated Taxable Assessed Valuation as of December 1, 2017	\$157,010,607 (a) \$164,454,773 (b)
Gross Direct Debt Outstanding	\$10,355,000 (c) <u>8,010,204</u> (d) \$18,365,204
Ratio of Gross Direct Debt to: 2017 Taxable Assessed Valuation Estimated Taxable Assessed Valuation as of December 1, 2017 Ratio of Gross Direct Debt and Estimated Overlapping Debt to: 2017 Taxable Assessed Valuation Estimated Taxable Assessed Valuation as of December 1, 2017	6.60% 6.30% 11.70% 11.17%
Funds Available for Debt Service as of February 9, 2018	\$950,162 (e) \$489,269 (f) \$2,421,635 (g)
2017 Debt Service Tax Rate	\$0.340 <u>0.235</u> \$0.575
Historical Tax Collections (2013-2017)	99.54%
Average Annual Debt Service Requirement (2018-2044)	\$597,237 (h) \$649,778 (h)
Tax Rates Required to Pay Average Annual Debt Service (2018-2044) at a 95% Collection Rate Based upon 2017 Taxable Assessed Valuation	\$0.41 (i) \$0.39 (i)
Tax Rates Required to Pay Maximum Annual Debt Service (2019) at a 95% Collection Rate Based upon 2017 Taxable Assessed Valuation Based upon Estimated Taxable Assessed Valuation as of December 1, 2017	\$0.44 (i) \$0.42 (i)
Water and sewer connections as of December 15, 2017:	
Commercial connections	007 1 3 11 223
Estimated 2017 Population	(07 (j)

(a) Includes \$155,375,153 of value as certified by the Harris County Appraisal District (the "Appraisal District") and \$1,635,454 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2017, which totals \$157,010,607. See "TAXING PROCEDURES."

- As estimated by the Appraisal District as of December 1, 2017 for informational purposes only. The 2017 Taxable Assessed (b) Valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2017 to December 1, 2017. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See "TAXING PROCEDURES."
- After the issuance of the Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds." See "ESTIMATED OVERLAPPING DEBT." (c) (d)
- (e) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
- Includes \$200,000 in surplus funds to be applied towards projects to be financed by the Bonds. (f)
- (g) Includes \$1,789,473 from the sale of the District's share of the existing water plant, which the District intends to apply together with proceeds of the Bonds, to the construction of water production facilities within the District. See "THE SYSTEM—Water Supply" and "USE AND DISTRIBUTION OF BOND PROCEEDS." Ending fund balance to be reduced as such.
- (h)
- See "DEBT SERVICE REQUIREMENTS."
 See "TAX DATA—Maximum Impact on District Tax Rates (i)
- (i) Based upon 3.5 persons per completed single-family residence and 2.0 per multi-family unit.

OFFICIAL STATEMENT

\$5,195,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62

(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. 62 (the "District") of its \$5,195,000 Unlimited Tax Bonds, Series 2018 (the "Bonds").

The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the bonds (the "Bond Order"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District, an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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 document. Copies of documents may be obtained from Bacon & Wallace, L.L.P., the District's Bond Counsel and General Counsel, 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

THE BONDS

Description

The Bonds will be dated and accrue interest from April 1, 2018 with interest payable on each September 1 and March 1 (each an "Interest Payment Date"), beginning September 1, 2018 (five months interest), and will mature on March 1 in each of the years and in the principal amounts, and shall accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

At bond elections held within the District on May 9, 1981 and May 6, 2000, voters of the District authorized the issuance of an aggregate of \$24,500,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and for refunding purposes. The Bonds represent the third issuance from such authorization. The District has previously issued \$9,345,000 principal amount of unlimited tax bonds from said authorization, of which \$5,160,000 principal amount is currently outstanding (the "Outstanding Bonds").

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, an annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

The Bond Order confirms the establishment of the District's Capital Projects Funds (the "Capital Projects Fund") and the Debt Service Fund (the "Debt Service 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 proceeds from sale of the Bonds into the Debt Service Fund. All remaining proceeds of the Bonds will be deposited in the Capital Projects Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds and 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 Debt Service 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.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Order that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

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

Optional Redemption: The Bonds maturing on and after March 1, 2023 are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2024, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

Mandatory Redemption: The Bonds due on March 1, 2044 (the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on March 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date:

\$2,500,000 Term Bonds Due March 1, 2044

Duc March 1, 2011						
Mandatory	Principal					
Redemption Date	Amount					
2040	\$ 500,000					
2041	500,000					
2042	500,000					
2043	500,000					
2044 (maturity)	500,000					

The principal amount of any Term Bonds of a maturity to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the direction of the District, by the principal amount of Term Bonds of such maturity which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If fewer than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

Registration and Transfer

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is the initial paying agent/registrar (the "Paying Agent/Registrar," "Paying Agent" or "Registrar") for the Bonds. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the book-entry-only system is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

At bond elections held within the District on May 9, 1981 and May 6, 2000, voters of the District authorized the issuance of an aggregate of \$24,500,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and refunding purposes. After the issuance of the Bonds, the District will have \$9,960,000 principal amount in authorized but unissued unlimited tax bonds.

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

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has no current plans to seek such authorization for park bonds.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ 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 TCEQ, 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 TCEQ for "road powers" nor calling such an election at this time.

Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation by the City of Houston

The District lies within the extraterritorial jurisdiction of the City of Houston (the "City"). Generally under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur. Under the terms of the SPA (as herein 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 date of the execution of the SPA. See "THE BONDS—Strategic Partnership Agreement" below.

Strategic Partnership Agreement

Effective April 11, 2003, the District and the City of Houston entered into a Strategic Partnership Agreement (the "Original SPA") as authorized by Texas Local Government Code Section 43.0751, for a term of thirty (30) years. On October 29, 2014, the District and the City of Houston entered into a First Amended and Restated Strategic Partnership Agreement (the "Restated SPA"), which supersedes the Original SPA and extends for the same thirty (30) year term that expires on April 11, 2033. During the term of the Restated SPA (i) the commercial portion of the District is annexed by the City for limited purposes of extending the City sales tax, (ii) the City has agreed to not annex the District for full purposes without the District's consent, (iii) 50% of the City sales tax revenues generated within the area made subject to the SPA (the "SPA Sales Tax Revenues") will be distributed to the District, and (iv) the area made subject to the SPA will continue to receive water and wastewater treatment service from the District and will remain subject to District taxing authority. Pursuant to State law, the District is authorized to use the SPA Sales Tax Revenues for any lawful purpose. None of the anticipated SPA Sales Tax Revenues are pledged toward the payment of principal and interest on the Bonds and no SPA sales tax revenues have been received by the District to date.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

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 observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered

Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might 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 evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. 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 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 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 takes 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 information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

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

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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

THE DISTRICT

General

Harris County Municipal Utility District No. 62 (the "District") is a municipal utility district created by order of the Texas Water Commission (now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ")), dated January 4, 1978, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts.

The District is empowered, among other things, to 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 is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire-fighting facilities and recreational 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 platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Description and Location

The District is located approximately 26 miles west of the central downtown business district of the City of Houston within Harris County, Texas, near the intersection of Interstate Highway 10 and Mason Road. Interstate Highway 10 and other major highways and thoroughfares provide access from the District to major employment centers in the Harris County area. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. See "AERIAL PHOTOGRAPH" herein.

Status of Development

The District encompasses approximately 449 acres of land. Water, sanitary sewer and drainage facilities have been constructed to serve approximately 160 acres of land in the District. Of such acreage, approximately 70 acres have been developed for single family residential purposes, approximately 40 acres have been developed or are currently under construction for multifamily, commercial and other usages, and approximately 50 acres have been developed as two schools and a volunteer fire department which are not subject to taxation by the District. The District also has approximately 27 acres of land in easements, street right-of-way, plant sites, and detention and approximately 262 acres of developable but undeveloped land on which improvements have not been constructed. Of the 262 acres of developable land, all are served with trunk utilities for future commercial and multifamily purposes. The District is not aware of any immediate plans for development of the undeveloped land at this time.

Water, sanitary sewer and drainage facilities have been constructed to serve approximately 70 acres of single family residential development known as Williamsburg Settlement, Section 3 (consisting of 207 single family residential lots). Values of houses in these sections are on the tax rolls of the District for the 2017 tax year averaging from approximately \$160,000 to \$220,000. As of December 15, 2017, the District contained approximately 205 occupied single family homes and 2 vacant single family homes. There is no current single family development activity in the District.

Multifamily development in the District includes three apartment projects: Providence Grand Parkway containing 250 apartment units (approximately 97% occupied) and The Luxe at Katy (formerly "The Remington Katy" containing approximately 245 apartment units (approximately 93% occupied) in the District (the remaining 107 units of this project are outside of the District's boundaries). In addition, San Remo, a 333 unit apartment complex, is currently under construction (50% completed) on approximately 17 acres within the District with an expected completion date of December 2018. The District has currently has one other commercial user in the District which is a private day care center.

The University of Houston purchased approximately 46 acres of land, of which approximately 29 acres are located within the District boundaries, from Parkside NEC in November 2016. Such acreage is served with trunk utilities. Additional utilities for ancilliary roadways are currently under construction and expected to be completed in Spring 2018. Campus facilities are in the planning and design phase. The land and improvements to be constructed by the University of Houston are tax-exempt.

MANAGEMENT OF THE DISTRICT

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 four-year staggered terms and elections are held on the first Saturday of May in even numbered years only. All of the Board members reside within the District. The current members and officers of the Board along with their titles, occupations and terms, are listed as follows:

Name	Board Title	Term Expires
S.J. Doehring, III	President	May 2018
Kay Stephenson	Vice President	May 2020
Robert Kincaid	Secretary	May 2018
Janice Sijansky	Asst. Secretary	May 2020
Lonnie Falk	Director	May 2020

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Wheeler & Associates, Inc. is currently serving in this capacity for the District.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. for bookkeeping services.

Engineer

Edminster, Hinshaw, Russ & Associates ("Engineer") serves as the consulting civil engineer for the District in connection with the design and construction of the District's facilities.

Financial Advisor

Hilltop Securities Inc. (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Attorney

Bacon & Wallace, L.L.P., Houston, Texas, serves as general counsel for the District and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's audited financial statements for the fiscal year ended October 31, 2017, was audited by McCall Gibson Swedlund Barfoot PLLC, and are included herein as APPENDIX A.

PRINCIPAL PROPERTY OWNERS

General

The majority of the ownership of property within the District is concentrated among the principal taxpayers within the District. The following is a brief description of the largest property owners in the District. See "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers" and "TAX DATA—Principal Taxpayers."

Katy Remington LP

Katy Remington LP owns Luxe at Katy Apartments (formerly The Remington Katy), a 352-unit apartment community located in the District. Katy Remington LP represents \$30,536,348 or 19.65% of the District's 2017 Certified Taxable Assessed Valuation. A portion of this apartment complex is located in an adjacent district.

PBH Parkway LLC

PBH Parkway LLC owns Providence Grand Parkway Apartments, a 250-unit apartment community located in the District. Providence Grand Parkway Ltd. represents \$24,161,861 or 15.55% of the District's 2017 Certified Taxable Assessed Valuation.

Westside Ventures, Ltd.

Westside Ventures, Ltd. ("Westside") is the owner of approximately 63 acres of undeveloped land in the District. Westside represents \$19,066,923 or 12.27% of the District's 2017 Certified Taxable Assessed Valuation. Westside was the original developer of commercial land in the District and has sold a majority of its holdings in the District.

DWPW Grand Parkway LLC

DWPW Grand Parkway LLC ("DWPW"), a Texas limited liability corporation, owns approximately 54 acres of undeveloped land in the District. DWPW represents \$14,637,879 or 9.42% of the District's 2017 Certified Taxable Assessed Valuation. Further, while it is anticipated that such property will ultimately be developed as a commercial development, there is currently no development activity with respect to this property.

Parkside NEC Grand Parkway/I-10 Ltd.

In 2013, Parkside NEC Grand Parkway/I-10 Ltd. ("Parkside"), a Texas limited liability corporation, purchased approximately 63 acres of land in the District from Simon Properties. Parkside currently owns approximately 30 acres of undeveloped land within the District. Parkside represents \$8,722,211 or 5.65% of the District's 2017 Taxable Assessed Valuation. Further, while it is anticipated that such property will ultimately be developed as a commercial development consisting of office, retail, and multifamily development, there is currently no development activity with respect to this property.

Sueba Development 145 LP

Sueba Development 145 LP owns approximately 17 acres within the District, upon which the San Remo apartment complex is currently under construction.

University of Houston

In November 2016, The University of Houston purchased approximately 46 acres of land, of which approximately 29 acres are located within the District boundaries, from Parkside NEC. Such acreage is served with trunk utilities. Additional utilities for ancilliary roadways are currently under construction and expected to be completed in Spring 2018. Campus facilities are in the planning and design phase. The land and improvements to be constructed by the University of Houston are tax-exempt.

Other Landowners

Numerous other parties own land within the District. IMF Investments 107 LP owns approximately 21 acres of land in the District, and such land is valued at \$6,781,801 or 4.36% of the District's 2017 Certified Taxable Value. During the course of 2017, Jenard Gross Investments purchased approximately 12 acres within the District. While it is anticipated that such property will ultimately be developed as a multifamily development, there is currently no development activity with respect to this property.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Harris-Galveston Coastal Subsidence District (see "Water Supply and Storage" below). Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

All water utilized by the District comes from groundwater sources. The District currently owns 33.33% of the Harris County Municipal Utility District No. 61 ("HCMUD 61") water plant which consists of two (2) 1,000 gpm capacity water wells, booster pump capacity of 3,750 gpm, 30,000 gallons of pressure tank capacity, 500,000 gallons of ground storage tank capacity, and related appurtenances. The participating districts using the HCMUD 61 plant, other than the District, are HCMUD 61 and West Harris County Municipal Utility District No. 2 ("WHCMUD 2"). Pursuant to the Joint Water Plant Agreement dated September 19, 2007, the District acquired a 60% interest in a water plant operated by Harris County Municipal Utility District No. 63 ("HCMUD 63"). Effective October 20, 2016, the parties entered a Purchase and Sale Agreement whereby HCMUD 63 acquired the District's 60% share for cash and agreed to lease 60% of the capacity to the District for a period of 36 months. The District has acquired a water plant site within its boundaries and intends to construct its own water production facilities with proceeds of the Bonds.

According to the Engineer, the District's portion of the water plant within HCMUD 63 is capable of serving 1,102 equivalent single-family connections ("esfc") and the District's portion of the water plant within HCMUD 61 is capable of serving 1,000 esfcs which are sufficient to serve the 723 esfcs currently served by the District.

The District has two emergency interconnect agreements with Harris County Municipal Utility District No. 64 and West Harris County Municipal Utility District No. 2, which are normally closed. The connection with HCMUD 63 will become an emergency interconnect upon completion of the District's new water plant.

Subsidence and Conversion to Surface Water Supply

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 (including the District) and a small portion of Fort Bend County. The Authority 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 groundwater well(s) that supply water to the District 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 provisions of the Authority's Rate Order allow the District, subject to groundwater reduction requirements imposed by the Authority, the terms of the GRP, and any limitations imposed by the Subsidence District, the right to pump from its groundwater well(s) the amount of groundwater reasonably determined by the District to be needed by the District, for itself or for its customers, to provide water in accordance with at least the minimum regulatory requirements for pressure and supply, including during an emergency requiring immediate use of groundwater (such as for firefighting purposes) so long as the District is not committing waste or being wasteful.

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, substantial fees per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2030 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 was required to limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP by 2010; Additionally, the Subsidence District requires that the Authority limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP beginning in the year 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand of the water users within the Authority's GRP beginning in the year 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a substantial disincentive fee penalty of \$7.00 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

Portions of the proceeds of the Outstanding Bonds were used to purchase capacity in the Williamsburg Sewage Treatment Plant ("WSTP") which is owned and operated by the Williamsburg Regional Sewage Authority (the "WRS Authority"). The WRS Authority is governed by a board of delegates whose members are appointed by the board of directors of participating districts. Construction costs are funded by the contribution of funds from each participating district. Each participating district is responsible for its share of the operating costs of the WRS Authority which are allocated and billed monthly based upon each participant's equivalent sewer connections serviced by the WRS Authority. The current capacity of the WSTP is 3.0 million gallons per day ("gpd") and is shared by the District, Harris County Municipal Utility District Nos. 61, 63, 64, and 65, West Harris County Municipal Utility District Nos. 2 and 5 and Westside Ventures, Ltd. The District owns 506,365 gpd capacity in the facility which, according to the Engineer, is sufficient to serve approximately 2,251 esfc based on a reduced flow factor of 225 gpd/connection. The District currently serves approximately 723 esfc.

Flood Protection

According to the Engineer, the Flood Insurance Rate Map currently in effect published by the Federal Emergency Management Agency which covers the land located in the District indicates that none of the land located within the District is located within the 100-year flood plain, except the area contained within the banks of major drainage channels or detention facilities. See "INVESTMENT CONSIDERATIONS—Tropical Weather Events; Hurricane Harvey."

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs described below were compiled by Edminster, Hinshaw, Russ and Associates, Inc., the District's engineer (the "Engineer"), based on the estimated cost of facilities, and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the District's financial advisor, Hilltop Securities Inc. (the "Financial Advisor"), at the time the District's bond application was filed with the TCEQ. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used. Surplus funds require TCEQ approval and are being utilized to pay a portion of the project costs to be financed with proceeds of the Bonds.

CONSTRUCTION COSTS

Sanitary Sewer Lift Station Expansion Pro-Rata Share Storm Sewer Trunk Line to Connection Colonial Parkway to Mason Creek Water Plant Facility No. 1 Water Distribution Lines Connection Water Plant to Existing Water Distribution System Water Plant Facilities Platting and Legal Costs Land Acquisition Contingencies Engineering Less: Proceeds from Sale of Pro-Rata Share of Water Plant Less: Surplus Funds Applied Total Construction Costs	325,000 3,310,000 275,000 50,000 581,022 478,500 789,525 (1,789,473)
NON-CONSTRUCTION COSTS Legal Fees Financial Advisory Fees Underwriter's Discount Attorney General Fee Bond Application Report	103,900 155,850 5,195 45,243
Bond Issuance Expenses TCEQ Fee (0.25%) Total Non-Construction Costs TOTAL BOND ISSUE REQUIREMENT	42,375 12,988 \$500,426

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. Although net revenues from operations of the District's water and sanitary sewer system, if any, are not pledged to the payment of the Outstanding Bonds and the Bonds, such net revenues are available for any legal purpose, including the payment of debt service on the Outstanding Bonds and the Bonds, upon Board action. The District does not anticipate any significant net revenues to be available for such purposes.

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. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended October 31									
	2017			2016	2015		2014		2013	
GENERAL FUND							-			
Revenues:										
Property Taxes	\$	347,914	\$	335,604	\$	269,953	\$	210,675	\$	186,552
Water Service		136,496		120,136		113,933		104,945		98,915
Sewer Service		173,735		148,304		143,390		110,986		93,368
Regional Water Authority Fees		157,031		139,219		120,404		108,789		101,851
Penalty and Interest		2,257		4,634		4,961		2,219		2,813
Investment Revenues		11,340		1,283		978		791		722
Sale of Capacity		1,789,473 (a)	-		-		-		-
Other		397,340		854		771		968		89,201
Total Revenues	\$	3,015,586	\$	750,034	\$	654,390	\$	539,373	\$	573,422
Expenditures:										
Professional Fees	\$	134,630	\$	119,952	\$	71,730	\$	83,220	\$	71,193
Contracted Services		30,963		31,351		28,924		24,838		22,806
Purchased Water and Sewer Services		130,598		354,443		147,671		127,017		100,137
Utilities		5,612		7,026		4,620		2,529		2,772
Regional Water Authority Fees		169,211		19,319		44,415		63,099		83,674
Repairs and Maintenance		103,015		198,930		208,136		308,092		73,456
Other		122,363		50,782		89,983		43,417		39,125
Capital outlay		883,441	_							
Total Expenditures	\$	1,579,833	\$	781,803	\$	595,479	\$	652,212	\$	393,163
Net Revenues	\$	1,435,753	\$	(31,769)	\$	58,911	\$	(112,839)	\$	180,259
Fund Balance										
Beginning of Period	\$	882,799	\$	914,568	\$	618,193	\$	731,332	\$	551,073
Other Sources/Uses	\$		\$		\$	237,464	\$	(300)	\$	
Fund Balance										
End of Period	\$	2,318,552 (a	\$	882,799	\$	914,568	\$	618,193	\$	731,332

⁽a) Proceeds from the sale of the District's share of the existing water plant will be toward the project costs to be financed with the proceeds of the Bonds. Ending fund balance to be reduced as such.

DEBT SERVICE REQUIREMENTS

The following sets forth the actual debt service requirements for the Outstanding Bonds and the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Outstanding
Bonds

Debt Service			Plus: Debt Service on the Bonds					Debt Service		
<u>Year</u>	<u>Re</u>	<u>quirements</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>	Re	<u>quirements</u>
2018	\$	331,559			\$	81,286	\$	81,286	\$	412,845
2019		333,128	\$	125,000		191,650		316,650		649,778
2020		339,528		125,000		184,775		309,775		649,303
2021		340,546		125,000		177,900		302,900		643,446
2022		341,015		125,000		171,025		296,025		637,040
2023		345,834		125,000		164,150		289,150		634,984
2024		345,209		125,000		158,838		283,838		629,046
2025		349,359		125,000		155,088		280,088		629,446
2026		348,079		125,000		151,338		276,338		624,416
2027		351,305		125,000		147,588		272,588		623,893
2028		353,986		125,000		143,838		268,838		622,824
2029		351,021		125,000		140,088		265,088		616,109
2030		352,381		125,000		136,338		261,338		613,719
2031		353,038		130,000		132,431		262,431		615,469
2032		352,994		130,000		128,288		258,288		611,281
2033		352,394		130,000		124,063		254,063		606,456
2034		351,394		130,000		119,756		249,756		601,150
2035		354,709		130,000		115,369		245,369		600,078
2036		352,334		130,000		110,900		240,900		593,234
2037		354,444		135,000		106,263		241,263		595,706
2038		351,038		140,000		101,363		241,363		592,400
2039		352,116		140,000		96,288		236,288		588,403
2040		-		500,000		84,375		584,375		584,375
2041		-		500,000		65,625		565,625		565,625
2042		-		500,000		46,875		546,875		546,875
2043		-		500,000		28,125		528,125		528,125
2044				500,000		9,375		509,375		509,375
Total	\$	7,657,408	\$	5,195,000	\$	3,272,993	\$	8,467,993	\$	16,125,401

Maximum Annual Debt Service Requirement (2019)\$649,778Average Annual Debt Service Requirements (2018-2044)\$597,237

FINANCIAL STATEMENT

2017 Taxable Assessed Valuation Estimated Taxable Assessed Valuation as of December 1, 2017	\$157,010,607 (a) \$164,454,773 (b)
Gross Direct Debt Outstanding	\$10,355,000 (c) <u>8,010,204</u> (d) \$18,365,204
Ratio of Gross Direct Debt to: 2017 Taxable Assessed Valuation Estimated Taxable Assessed Valuation as of December 1, 2017 Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	6.60% 6.30%
2017 Taxable Assessed Valuation Estimated Taxable Assessed Valuation as of December 1, 2017	11.70% 11.17%
Funds Available for Debt Service as of February 9, 2018	\$950,162 (e) \$489,269 (f) \$2,421,635 (g)

⁽a) Includes \$155,375,153 of value as certified by the Harris County Appraisal District (the "Appraisal District") and \$1,635,454 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2017, which totals \$157,010,607. See "TAXING PROCEDURES."

- (c) After the issuance of the Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
- (d) See "ESTIMATED OVERLAPPING DEBT."
- (e) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
- (f) Includes \$200,000 in surplus funds to be applied towards projects to be financed by the Bonds.
- (g) Includes \$1,789,473 from the sale of the District's share of the existing water plant, which the District intends to apply together with proceeds of the Bonds, to the construction of water production facilities within the District. See "THE SYSTEM—Water Supply" and "USE AND DISTRIBUTION OF BOND PROCEEDS." Ending fund balance to be reduced as such.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Outstanding Bonds

	Original	Prin	cipal Amount
	Principal	Out	standing as of
Series	Amount	Febr	ruary 28, 2018
2014	\$ 5,160,000	\$	5,160,000

⁽b) As estimated by the Appraisal District as of December 1, 2017 for informational purposes only. The 2017 Taxable Assessed Valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2017 to December 1, 2017. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See "TAXING PROCEDURES."

ESTIMATED OVERLAPPING DEBT

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

	Outstanding Debt as of	Percent Overlapping	Amount Overlapping
Taxing Body	<u>December 31, 2017</u>	Gross Debt	Gross Debt
Katy Independent School District	\$1,621,576,791	0.42%	\$6,810,623
Harris County		0.04%	883,470
Harris County Flood Control District		0.04%	33,230
Harris County Department of Education	6,780,000	0.04%	2,712
Harris County Hospital District	61,595,000	0.04%	24,638
Port of Houston Authority	638,829,397	0.04%	255,532
Total Estimated Overlapping Debt			\$8,010,204
The District's Total Direct Debt (a)			10,355,000
Total Direct and Estimated Overlapping Debt			\$18,365,204
Direct and Estimated Overlapping Debt as a P 2017 Taxable Assessed Valuation of \$157 Estimated Taxable Assessed Valuation as	7,010,607		11.70% 11.17%
	, , , , , , , , , , , , , , , , , , , ,		

⁽a) The Bonds and the Outstanding Bonds.

Overlapping Taxes for 2017

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

Set forth below are all of the taxes levied for the 2017 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Harris County (including Harris County Flood Control District, Harris County Hospital District Harris County Department of Education	2017 Tax Rate Per \$100 <u>Assessed Valuation</u>
District, Harris County Department of Education and the Port of Houston Authority) Harris County Emergency Service District No. 48 Katy Independent School District	0.092000
Total Overlapping Tax Rate	\$2.243775
District Tax Rate (a)	<u>0.575000</u>
Total Tax Rate	\$2.818775

⁽a) See "TAX DATA—Debt Service Tax" and "—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax of \$0.34 per \$100 of taxable assessed valuation for 2017.

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 vote of the District's electors. On August 12, 1978, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.25 per \$100 taxable assessed valuation. Such tax, if levied, would be in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2017 in the amount of \$0.235 per \$100 taxable assessed valuation.

Tax Rate Distribution

	2017	2016	2015	2014	2013
Debt Service	\$0.340	\$0.340	\$0.340	\$0.370	\$0.400
Maintenance and Operations	0.235	0.235	0.250	0.250	0.250
Total	\$0.575	\$0.575	\$0.590	\$0.620	\$0.650

Tax Rate Limitations

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

Maintenance: \$0.25 per \$100 Assessed Valuation

Additional Penalties

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

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2018, the District has exempted \$10,000 of the appraised value of resident homesteads for persons who are disabled or 65 years of age or older and District has granted a twenty-percent (20%) residential homestead exemption.

Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Differences in total assessed valuations from others shown in this Official Statement are due to differences in dates of the data.

				Total Collections	
Tax	Assessed	Tax	Tax	as of February 9, 2018	
Year	Valuation	Rate	Levy	Amount	Percent
2013	\$ 84,170,406	\$0.650	\$ 547,107	\$ 545,915	99.78%
2014	104,998,185	0.620	650,988	649,766	99.81%
2015	136,703,791	0.590	806,551	805,298	99.84%
2016	146,474,618	0.575	842,228	840,891	99.84%
2017	156,677,956	0.575	900,897	886,483	98.40%

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the certified portion of the 2017 through 2015 taxable assessed valuations. Differences in total assessed valuations from others shown in this Official Statement are due to differences in dates of the data. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2017	2016	2015
Land	\$ 94,136,227	\$ 74,873,606	\$ 70,079,318
Improvements	97,265,021	91,748,333	83,849,360
Personal Property	1,916,370	2,002,788	2,510,972
Exemptions	(37,942,465)	(22,140,109)	(19,735,859)
Total Certified Value	\$ 155,375,153	\$ 146,484,618	\$ 136,703,791
Uncertified Value	1,635,454	-	-
Total Assessed Valuation	\$ 157,010,607	\$ 146,484,618	\$ 136,703,791

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's taxable appraised value as a percentage of the certified portion of the 2017 taxable assessed valuation of \$155,375,153. This represents certified ownership as of January 1, 2017. Principal taxpayers lists related to the uncertified portion of the 2017 roll (\$1,635,454) and the Estimated Taxable Assessed Valuation as of December 1, 2017 are not available. See "THE DISTRICT—Principal Property Owners" and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

			% of
		2017	2017
	Type of	Assessed	Assessed
Taxpayer	Property	Valuation	Valuation
Katy Remington LP	Apartment Complex	\$ 30,536,348 (a)	19.65%
PBH Parkway LLC	Apartment Complex	24,161,861	15.55%
Westside Ventures Ltd.	Land	19,066,923	12.27%
DWPW Grand Parkway LLC	Land	14,637,879	9.42%
Parkside NEC Grand PWY/1-10 Ltd.	Land	8,772,211	5.65%
IMF Investments 107 LP	Land	6,781,801	4.36%
Sueba Development 145 LP	Land	5,397,190	3.47%
Gold Star Realty Inc.	Land	2,918,805	1.88%
Merchants Acquistions LLC	Land	2,096,909	1.35%
Centerpoint Energy Hou Electric	Personal	575,480	0.37%
Total		\$ 114,945,407	73.98%

⁽a) Represents value of the portion of The Luxe at Katy Apartments located within the boundaries of the District.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet maximum and average annual debt service requirements if no growth in the District's tax base occurred beyond the 2017 Taxable Assessed Valuation of \$157,010,607 and the Estimated Taxable Assessed Valuation as of December 1, 2017. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS."

Maximum Annual Debt Service Requirement (2019)	\$649,778
\$0.44 Tax Rate on 2017 Taxable Assessed Valuation	\$656,304
\$0.42 Tax Rate on Estimated Taxable Assessed Valuation as of December 1, 2017	
Average Annual Debt Service Requirement (2018-2044)	\$597,237
\$0.41 Tax Rate on 2017 Taxable Assessed Valuation	
\$0.39 Tax Rate on Estimated Taxable Assessed Valuation as of December 1, 2017	\$609,305

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; 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 and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. For the 2018 tax year, the District has granted an exemption of \$10,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount 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 the residence homestead was donated by a charitable organization (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. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. See "TAX DATA."

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. For tax year 2018, the District has granted a twenty-percent (20%) residential homestead exemption. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the applicable Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase regardless of the market value of the property.

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

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, the debt service tax rate cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2017." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, subject to the limitations or residential homesteads described under "Levy and Collection of Taxes", the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General—Tax Collections Limitations and Foreclosure Remedies."

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 23, 2018, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At December 31, 2017:

- The policyholders' surplus of AGM was approximately \$2,254 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,108 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,657 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this OFFICIAL STATEMENT and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this OFFICIAL STATEMENT and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE".

INVESTMENT CONSIDERATIONS

General

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

Tropical Weather Events; Hurricane Harvey

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

Hurricane Harvey struck the Houston area on August 26, 2017, resulting in historic levels of rainfall. According to the District's Operator, the District's System experienced some minimal damage; however, there was no interruption of water and sewer service. Further, according to the District's Operator and Engineer, after investigation, although the District experienced some street flooding, there was no apparent damage to homes or commercial improvements within the District. The District has filed a claim for reimbursement of certain damages and expenses related to the storm with FEMA. Hurricane Harvey could have a material impact on the Houston region's economy. 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, commercial property and multi-family developments. 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 (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly short-term interest rates at which developers and commercial builders are able to obtain financing for development and building costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 26 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

Landowner Obligation to the District

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

Dependence on Principal Taxpayers

Based upon the 2017 certified tax rolls, the top ten taxpayers were responsible for approximately 73.98% of the District's 2017 taxes (approximately \$114,945,407). The top two taxpayers, which are multi-family residences, represent approximately 35.20% of the current tax roll. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "Tax Collection Limitations" below, "PRINCIPAL PROPERTY OWNERS," and "TAX DATA—Principal Taxpayers."

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 within the District is \$157,010,454. After issuance of the Bonds, the maximum annual debt service requirement will be \$649,778 (2019) and the average annual debt service requirement will be \$597,237 (2018-2044). Assuming no increase or decrease from the 2017 Taxable Assessed Valuation and a 95% collection rate, tax rates of \$0.44 and \$0.41 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. The Estimate of Taxable Assessed Valuation as of December 1, 2017 of the District is \$164,454,773. Assuming no increase or decrease from the Estimate of Taxable Assessed Valuation as of December 1, 2017 and no use of funds other than tax collections, tax rates of \$0.42 and \$0.39 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively (see "DEBT SERVICE REQUIREMENTS"). Although calculations have been made regarding tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the 2017 Taxable Assessed Valuation and the Estimate of Taxable Assessed Valuation as of December 1, 2017, the District can make no representations regarding the future level of assessed valuation within the District. See "TAXING PROCEDURES" and 'TAX DATA—Tax Adequacy for Debt Service."

Undeveloped Acreage

There are approximately 262 acres of land within the District which have trunk facilities available, but upon which there has been no vertical development. The District makes no representation as to when or if development of this acreage will occur. See "THE DISTRICT—Status of Development" and "PRINCIPAL PROPERTY OWNERS."

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.

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. 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.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial 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 procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any 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 assessed 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.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

The district may not be placed into bankruptcy involuntarily.

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 \$24,500,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and for refunding purposes have been authorized by the District's voters. After the issuance of the Bonds, the District will have \$9,960,000 principal amount in authorized but unissued unlimited tax bonds. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

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

Environmental and Air Quality Regulations

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

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

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

Air Quality/Greenhouse Gas Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 "eight-hour" ozone standards ("the 1997 Ozone Standards"). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas's redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGC area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion ("ppb") to 75 ppb ("the 2008 Ozone Standard"), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area's 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's 2008 Ozone Standard, the 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.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb ("the 2015 Ozone Standard"). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2018.

In order to comply with the EPA's ozone 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. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the Utility District's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit ("Sixth Circuit") put the CWR on hold nationwide. On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR and reinstating language in place before 2015 changes which broadened the EPA's jurisdiction. The proposed rule was published in the Federal Register on July 27, 2017, and the comment period ended on September 28, 2017. The EPA and ESACE issued a final rule, effective February 6, 2018, which extends the applicability date of the CWR by two years, until February 6, 2020. The final rule gives the agencies additional time to consider the definition of "waters of the United States." If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States."

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

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.

Marketability of the Bonds

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

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 "TAX MATTERS."

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Bacon & Wallace, L.L.P. ("Bond Counsel") to the effect that, (i) based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity and (ii) assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds, 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, subject to the matters described under "TAX MATTERS—Tax Exemption" herein. Bond Counsel's opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in the Official Statement under "THE BONDS," "THE DISTRICT—General," "MANAGEMENT—Attorney," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor have such firms 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 firms' 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 information contained herein, other than the matters discussed immediately above.

Bacon & Wallace, L.L.P. acts as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Bacon & Wallace, L.L.P., Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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 Discount and Premium on Certain Bonds

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

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

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

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon 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 state and local tax consequences of owning Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000 for tax-exempt obligations issued in 2018.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2018 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2018.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

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, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District 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, orders, 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 reviewed the information in this Official Statement in accordance with, and as a 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.

<u>Appraisal District</u>: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Appraisal District, and is included herein in reliance upon the authority of such individual as an expert in assessing property values.

<u>Tax Assessor/Collector</u>: The information contained in this Official Statement relating to the breakdown of the District's historical data concerning tax rates and tax collections including particularly such information contained in the section entitled "TAX DATA—Tax Collections" has been provided by Wheeler & Associates, Inc., and is included herein in reliance upon the authority of such individual as an expert in assessing and collecting taxes.

<u>Engineer</u>: The information contained in this Official Statement relating to engineering and to the description of the District's water, wastewater and drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Edminster, Hinshaw, Russ and Associates, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

<u>Auditor</u>: The District's audited financial statements for the fiscal year ended October 31, 2017, was audited by McCall Gibson Swedlund Barfoot PLLC, and are included herein as APPENDIX A.

Updating the Official Statement

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

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

In the Bond Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") or 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 annually. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in Appendix A (Audited Financial Statements). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2018. The District will provide the updated information to the MSRB or any successor to its functions as a repository through its EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, 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 an 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. 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. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements except as stated below. The District filed its fiscal year ending October 31, 2011 audited financial statements after the April 30, 2012 deadline, on May 18, 2012. On October 21, 2014, the District filed a notice of late filing on this event. The District filed its fiscal year ending October 31, 2016 audited financial statements after the April 30, 2016 deadline, on June 1, 2017. On June 1, 2017, the District filed a notice of late filing on this event. The District has since implemented procedures to ensure timely filing of all future financial information.

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.

ATTEST:	/s/ S.J. Doehring, III President, Board of Directors
/s/ Robert Kincaid Secretary, Board of Directors	

AERIAL PHOTOGRAPH

(Approximate Boundaries as of December 2017)



PHOTOGRAPHS OF THE DISTRICT (Taken December 2017)







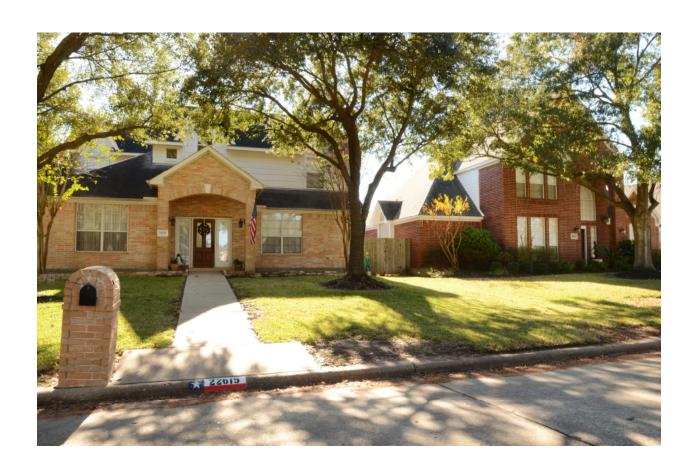






















APPENDIX A

Financial Statement of the District for the year ended October 31, 2017

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

OCTOBER 31, 2017

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 HARRIS COUNTY, TEXAS ANNUAL FINANCIAL REPORT

OCTOBER 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-30
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	32
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37
INVESTMENTS	38
TAXES LEVIED AND RECEIVABLE	39-40
LONG-TERM DEBT SERVICE REQUIREMENTS	41
CHANGE IN LONG-TERM BOND DEBT	42-43
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	44-47
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	48-49

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors Harris County Municipal Utility District No. 62 Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 62 (the "District"), as of and for the year ended October 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors Harris County Municipal Utility District No. 62

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 October 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants Houston, Texas

February 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2017

Management's discussion and analysis of Harris County Municipal Utility District No. 62's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2017. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2017

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$3,763,708 as of October 31, 2017.

A portion of the District's net position reflects its net investment in capital assets (e.g. water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position					
		2017		2016	(Change Positive Negative)
Current and Other Assets	\$	4,561,480	\$	2,735,679	\$	1,825,801
Capital Assets (Net of Accumulated Depreciation)		6,381,192		5,644,691		736,501
Total Assets	\$	10,942,672	\$	8,380,370	\$	2,562,302
Due to Developer	\$	838,208	\$	838,208	\$	_
Bonds Payable		5,160,000		5,160,000		
Other Liabilities		283,430		155,150		(128,280)
Total Liabilities	\$	6,281,638	\$	6,153,358	\$	(128,280)
Deferred Inflows of Resources	\$	897,326	\$	882,696	\$	(14,630)
Net Position:						
Net Investment in Capital Assets	\$	743,257	\$	6,296	\$	736,961
Restricted		698,174		451,145		247,029
Unrestricted		2,322,277		886,875		1,435,402
Total Net Position	\$	3,763,708	\$	1,344,316	\$	2,419,392
				*		

The following table provides a summary of the District's operations for the years ending October 31, 2017, and October 31, 2016. The District's net position increased \$2,419,392 during the current fiscal year.

	Summary of Changes in the Statement of Activities					
		2017		2016	(Change Positive Negative)
		2017		2010		(Negative)
Revenues:						
Property Taxes	\$	850,861	\$	807,442	\$	43,419
Charges for Services		865,086		413,248		451,838
Other Revenues		1,810,195		3,268		1,806,927
Total Revenues	\$	3,526,142	\$	1,223,958	\$	2,302,184
Expenses for Services		1,106,750		1,157,704		50,954
Change in Net Position	\$	2,419,392	\$	66,254	\$	2,353,138
Net Position, Beginning of Year		1,344,316		1,278,062		66,254
Net Position, End of Year	\$	3,763,708	\$	1,344,316	\$	2,419,392

^{*} As adjusted, see Note 15.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of October 31, 2017, were \$3,398,061, an increase of \$1,677,929 from the prior year.

The General Fund fund balance increased by \$1,435,753, primarily due to the sale of capacity in the joint water plant to Harris County Municipal Utility District No. 63. See Note 8.

The Debt Service Fund fund balance increased by \$241,716, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$460

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year. Actual revenues were \$1,048 more than budgeted revenues. Actual expenditures were \$3,547,877 less than budgeted expenditures, primarily due to lower than anticipated capital costs.

CAPITAL ASSETS

Capital assets as of October 31, 2017, total \$6,381,192 (net of accumulated depreciation) and include land and the administration building, as well as the water, wastewater and drainage systems. Completed projects include the purchase of land for the Water Plant No. 1 site and blowers at the Williamsburg Sewage Treatment Plant. Construction in progress includes recoating at the Williamsburg Water Plant and a generator at the Williamsburg Sewage Treatment Plant.

Capital Assets At Year-End, Net of Accumulated Depreciation

•		2017	2016	Change Positive (Negative)	
Capital Assets Not Being Depreciated: Land and Land Improvements Construction in Progress Capital Assets, Net of Accumulated	\$	1,266,615 19,790	\$ 410,805	\$	855,810 19,790
Depreciation: Water System Wastewater System		2,557,363 2,537,424	 2,630,821 2,603,065		(73,458) (65,641)
Total Net Capital Assets	\$	6,381,192	\$ 5,644,691	\$	736,501

Additional information on the District's capital assets can be found in Note 6 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2017

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$5,160,000. No principal payments have yet been made on the Series 2014 bonds. These bonds do not carry an underlying or insured rating.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 62, c/o Bacon & Wallace, L.L.P., 6363 Woodway, Suite 800, Houston, TX 77057-1762.

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET OCTOBER 31, 2017

				Debt
	General Fund		Service Fund	
ASSETS	<u>-</u>			
Cash, Note 5	\$	600,448	\$	740,877
Investments, Note 5		1,748,893		
Receivables:				
Property Taxes		370,458		536,404
Penalty and Interest on Delinquent Taxes				
Service Accounts		40,795		
Accrued Interest		4,823		
Due from Other Funds, Note 2		150,506		
Prepaid Costs		5,976		
Advance for Water Plant Operations, Note 8		10,000		
Advance for Regional Wastewater Treatment				
Plant Operations, Note 9		10,000		
Land, Note 6				
Construction in Progress, Note 6				
Capital Assets (Net of Accumulated Depreciation), Note 6				
TOTAL ASSETS	\$	2,941,899	\$	1,277,281

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

Capital Projects Fund		Total	A	djustments	tatement of let Position
\$	489,138	\$ 1,830,463	\$		\$ 1,830,463
		1,748,893			1,748,893
		906,862			906,862
				3,668	3,668
		40,795			40,795
		4,823			4,823
		150,506		(150,506)	
		5,976		,	5,976
		10,000			10,000
		10,000			10,000
				1,266,615	1,266,615
				19,790	19,790
		 		5,094,787	 5,094,787
\$	489,138	\$ 4,708,318	\$	6,234,354	\$ 10,942,672

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

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET OCTOBER 31, 2017

	Ge	eneral Fund	Se	Debt ervice Fund
Accounts Payable Accrued Interest Payable	\$	153,875	\$	
Due to Developers, Note 12 Due to Other Funds, Note 2 Security Deposits Long-Term Liabilities: Bonds Payable, Due Within One Year, Note 3 Bonds Payable, Due After One Year, Note 3		99,014		21,641
TOTAL LIABILITIES	\$	252,889	\$	21,641
DEFERRED INFLOWS OF RESOURCES Property Taxes	\$	370,458	\$	536,404
FUND BALANCES Nonspendable: Prepaid Costs Water Plant Operations, Note 8	\$	5,976 10,000	\$	
Wastewater Treatment Plant Operations, Note 9 Restricted for Authorized Construction Restricted for Debt Service Assigned for Construction of Water Plant No. 1, Notes 2 and 8 Unassigned		10,000 933,664 1,358,912		719,236
TOTAL FUND BALANCES	\$	2,318,552	\$	719,236
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$	2,941,899	\$	1,277,281

NET POSITION

Net Investment in Capital Assets Restricted for Debt Service Unrestricted

TOTAL NET POSITION

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

	Capital				Statement of		
Pro	jects Fund	Total	A	Adjustments		et Position	
\$	128,865	\$ 153,875 150,506 99,014	\$	30,541 838,208 (150,506)	\$	153,875 30,541 838,208 99,014	
				150,000 5,010,000		150,000 5,010,000	
\$	128,865	\$ 403,395	\$	5,878,243	\$	6,281,638	
\$	-0-	\$ 906,862	\$	(9,536)	\$	897,326	
\$	360,273	\$ 5,976 10,000 10,000 360,273 719,236 933,664 1,358,912	\$	(5,976) (10,000) (10,000) (360,273) (719,236) (933,664) (1,358,912)	\$		
\$	360,273	\$ 3,398,061	\$	(3,398,061)	\$	-0-	
\$	489,138	\$ 4,708,318	*	(-,, 0,000)	*	-	
			\$ 	743,257 698,174 2,322,277 3,763,708	\$ 	743,257 698,174 2,322,277 3,763,708	
			Ψ	3,703,700	Ψ	3,703,700	

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION OCTOBER 31, 2017

Total Fund Balances - Governmental Funds	\$ 3,398,061	
Amounts reported for governmental activities in the St different because:	catement of Net Position are	
Capital assets used in governmental activities are not and, therefore, are not reported as assets in the governmental activities are not and, therefore, are not reported as assets in the governmental activities are not and, therefore, are not reported as assets in the governmental activities are not and, therefore, are not reported as assets in the governmental activities are not and, therefore, are not reported as assets in the governmental activities are not are not assets.	6,381,192	
Deferred inflows of resources related to property tax interest receivable on delinquent taxes for the 2016 and of recognized revenue in the governmental activities of	13,204	
Certain liabilities are not due and payable in the current not reported as liabilities in the governmental funds. Consist of:	•	
Due to Developer \$	(• • •) = • •)	
Accrued Interest Payable	(30,541)	
Bonds Payable	(5,160,000)	 (6,028,749)
Total Net Position - Governmental Activities		\$ 3,763,708



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED OCTOBER 31, 2017

			Debt	
	Ge	eneral Fund	Ser	vice Fund
REVENUES				
Property Taxes	\$	347,914	\$	503,728
Water Service		136,496		
Wastewater Service		173,735		
Regional Water Authority Fees		157,031		
Penalty and Interest		2,257		1,880
Tap Connection and Inspection Fees		390,019		
Investment Revenues		11,340		1,385
Sale of Capacity, Note 8		1,789,473		
Miscellaneous Revenues		7,321		
TOTAL REVENUES	\$	3,015,586	\$	506,993
EXPENDITURES/EXPENSES		_		
Service Operations:				
Professional Fees	\$	134,630	\$	562
Contracted Services		30,963		16,099
Purchased Water Service, Note 8		56,458		
Purchased Wastewater Service, Note 9		74,140		
Utilities		5,612		
Regional Water Authority Assessments, Note 11		169,211		
Repairs and Maintenance		103,015		
Depreciation, Note 6				
Other		122,363		65,370
Capital Outlay		883,441		
Debt Service:				
Bond Interest				183,246
TOTAL EXPENDITURES/EXPENSES	\$	1,579,833	\$	265,277
NET CHANGE IN FUND BALANCES	\$	1,435,753	\$	241,716
CHANGE IN NET POSITION				
FUND BALANCES/NET POSITION -				
NOVEMBER 1, 2016, AS ADJUSTED, NOTE 15		882,799		477,520
FUND BALANCES/NET POSITION -)		
OCTOBER 31, 2017	\$	2,318,552	\$	719,236

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

(Capital				Statement of			
Pro	jects Fund	Total	A	Adjustments		Activities		
\$		\$ 851,642 136,496 173,735 157,031	\$	(781)	\$	850,861 136,496 173,735 157,031		
	676	4,137 390,019 13,401 1,789,473 7,321		3,668		7,805 390,019 13,401 1,789,473 7,321		
\$	676	\$ 3,523,255	\$	2,887	\$	3,526,142		
\$	216	\$ 135,192 47,062 56,458 74,140 5,612 169,211 103,015 187,949 883,441 183,246	\$	146,940 (883,441) (2,075)	\$	135,192 47,062 56,458 74,140 5,612 169,211 103,015 146,940 187,949		
\$	216	\$ 1,845,326	\$	(738,576)	\$	1,106,750		
\$	460	\$ 1,677,929	\$	(1,677,929) 2,419,392	\$	2,419,392		
	359,813	 1,720,132	_	(375,816)		1,344,316		
\$	360,273	\$ 3,398,061	\$	365,647	\$	3,763,708		

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED OCTOBER 31, 2017

Net Change in Fund Balances - Governmental Funds	\$ 1,677,929
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(781)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalty and interest are assessed.	3,668
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(146,940)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	883,441
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	 2,075
Change in Net Position - Governmental Activities	\$ 2,419,392

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 62, Harris County, Texas was created by the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the "Commission"), effective January 4, 1978, in accordance with Texas Water Code Chapter 54. The Board of Directors held its first meeting on January 31, 1978, and the first bonds were sold on June 26, 1981. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract or employ its own peace officers and, if approved by the electorate, the Commission and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other Districts.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has entered into an agreement with Harris County Municipal Utility District No. 61 ("District No. 61") for water service through the District No. 61 ("District No. 61") Joint Water Plant. District No. 61 has oversight responsibility over the water plant. Additional disclosure concerning this agreement is provided in Note 8.

The District has entered into an agreement with West Harris County Municipal Utility District Nos. 2 and 5 and Harris County Municipal Utility District Nos. 61, 63, 64 and 65 for wastewater service through the Williamsburg Regional Sewage Treatment Authority. Additional disclosure concerning this agreement is provided in Note 9.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net

Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Items such as purchased water service and purchased wastewater service are eliminated to eliminate an overstatement of overall District operating costs and to eliminate an overstatement of revenues for water and wastewater services.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as an other financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of October 31, 2017, the Debt Service Fund owed the General Fund \$18,191 for maintenance tax collections and \$3,450 for arbitrage compliance costs. The Capital Projects Fund owed the General Fund \$128,865 for construction costs.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straightline basis over the following estimated useful lives:

	Years
Water System	10-45
Wastewater System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of October 31, 2017, the District has assigned \$933,664 of the General Fund fund balance to use towards the construction of Water Plant No. 1.

Unassigned: all other spendable amounts in the General Fund.

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2014
Amount Outstanding – October 31, 2017	\$ 5,160,000
Interest Rates	2.25%-4.125%
Maturity Dates – Serially Beginning/Ending	March 1, 2018/2039
Interest Payment Dates	March 1/ September 1
Callable Dates	March 1, 2022*

^{*} Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District. Series 2014 term bonds maturing March 1, 2033, March 1, 2036, and March 1, 2039, are subject to mandatory redemption beginning March 1, 2032, March 1, 2035, and March 1, 2037, respectively.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended October 31, 2017:

	No	ovember 1, 2016	A	dditions	Ret	irements	C	october 31, 2017
Bonds Payable	\$	5,160,000	\$	-0-	\$	-0-	\$	5,160,000
			Amou	ant Due Wit ant Due Aft s Payable			\$ 	150,000 5,010,000 5,160,000

As of October 31, 2017, the District had authorized but unissued bonds in the amount of \$15,155,000 for utility facilities.

As of October 31, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	 Principal	Interest		 Total
2018	\$ 150,000	\$	181,559	\$ 331,559
2019	155,000		178,128	333,128
2020	165,000		174,528	339,528
2021	170,000		170,546	340,546
2022	175,000		166,015	341,015
2023-2027	995,000		744,786	1,739,786
2028-2032	1,205,000		558,420	1,763,420
2033-2037	1,470,000		295,275	1,765,275
2038-2039	675,000		28,154	703,154
	\$ 5,160,000	\$	2,497,411	\$ 7,657,411

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

During the current fiscal year, the District levied an ad valorem debt service tax at the rate of \$0.34 per \$100 of assessed valuation, which resulted in a tax levy of \$530,593 on the adjusted taxable valuation of \$156,056,664 for the 2017 tax year. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date - October 1, or as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.
- B. The bond order states that the District is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District deposits was \$3,301,257 and the bank balance was \$3,305,292. The District was not exposed to custodial credit risk at year-end.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at October 31, 2017, as listed below:

	Certificates					
	Cash		of Deposit			Total
GENERAL FUND	\$	600,448	\$	1,470,794	\$	2,071,242
DEBT SERVICE FUND		740,877				740,877
CAPITAL PROJECTS FUND		489,138				489,138
TOTAL DEPOSITS	\$	1,830,463	\$	1,470,794	\$	3,301,257

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

<u>Investments</u> (Continued)

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

As of October 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND TexSTAR Certificates of Deposit	\$ 278,099 1,470,794	\$ 278,099 1,470,794
TOTAL INVESTMENTS	\$ 1,748,893	\$ 1,748,893

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At October 31, 2017, the District's investment in TexSTAR was rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposits insured by the FDIC.

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2017:

	N	ovember 1, 2016	ī	ncreases	Ī	Decreases	O	October 31, 2017
Capital Assets Not Being Depreciated Land and Land Improvements Construction in Progress	\$	410,805	\$	855,810 27,631	\$	7,841	\$	1,266,615 19,790
Total Capital Assets Not Being Depreciated	\$	410,805	\$	883,441	\$	7,841	\$	1,286,405
Capital Assets Subject to Depreciation Water System Wastewater System	\$	2,984,379 3,254,918		7,841	\$		\$	2,984,379 3,262,759
Total Capital Assets Subject to Depreciation	\$	6,239,297	\$	7,841	\$	- 0 -	\$	6,247,138
Accumulated Depreciation Water System Wastewater System	\$	353,558 651,853	\$	73,458 73,482	\$		\$	427,016 725,335
Total Accumulated Depreciation	\$	1,005,411	\$	146,940	\$	- 0 -	\$	1,152,351
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$	5,233,886	\$	(139,099)	\$	- 0 -	\$	5,094,787
Total Capital Assets, Net of Accumulated Depreciation	\$	5,644,691	\$	744,342	\$	7,841	\$	6,381,192

NOTE 7. MAINTENANCE TAX

On August 22, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.235 per \$100 of assessed valuation, which resulted in a tax levy of \$366,733 on the adjusted taxable valuation of \$156,056,664 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 8. WATER SUPPLY

On June 23, 1979, the District entered into an agreement with Harris County Municipal Utility District No. 61 ("District No. 61") with respect to construction, ownership and operation of joint water plant facilities. The agreement was amended on July 18, 1985 to include West Harris County Municipal Utility District No. 2. ("District No. 2") and further supplemented on December 6, 2001. District No. 2 has since sold its interest to Harris County Municipal Utility District No. 71. District No. 61 has oversight of the facilities. Each participating district is responsible for its share of operating costs which are billed based on the ratio of water billed to each districts' customers every month. The District recorded \$47,548 of purchased water costs per this agreement in the current fiscal year and has made an advance to the reserve of the joint plant of \$10,000.

The following summary financial data of the joint water plant is presented for the fiscal year ending October 31, 2017. Additional financial information can be obtained by contacting the water plant's attorneys, Marks Richardson PC.

Total Assets Total Liabilities	\$ 71,195 41,195
Total Fund Balance	\$ 30,000
Total Revenues Total Expenditures	\$ 618,938 618,938
Excess Revenues (Expenditures)	\$ -0-
Fund Balance – November 1, 2016	 30,000
Fund Balance – October 31, 2017	\$ 30,000

On September 19, 2007, the District entered into an agreement with Harris County Municipal Utility District No. 63. ("District No. 63"), wherein the District acquired a 60 percent share of water capacity in a joint water plant with District No. 63. District No. 63 has oversight of the plant. On October 20, 2016, the District and District No. 63 entered into a Purchase and Sale Agreement whereby the District sold its capacity in the joint water plant to District No. 63 for \$1,789,473. The capacity sale amount was deposited into the General Fund and is being used for the construction of Water Plant No. 1. During the current fiscal year, \$855,809, was expended for this purpose. The balance of \$933,644 has been assigned by the District to further use for this project and this amount is expected to be expended in the 2018 fiscal year. District No. 63 has agreed to continue to provide water to the District for a 36-month period from the effective date of this agreement while the District is constructing its own water plant. The District recorded a \$8,910 of purchased water costs per this agreement in the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 9. JOINT VENTURE WASTE TREATMENT PLANT

The Williamsburg Regional Sewage Treatment Authority was formed by agreements between Harris County Municipal Utility District No. 61 and West Harris County Municipal Utility District No. 2 on September 29, 1976, as amended November 1, 1980, to include Harris County Municipal Utility District Nos. 62, 63, 64 and 65 and West Harris County Utility District No. 5, for the purpose of sharing costs of operating the regional sewage treatment plant (the "plant") and sharing the construction costs of expanding the existing facilities. The agreement is for a period of forty years.

The Authority is governed by a Board of Delegates comprised of one representative from each of the participants. The Authority is not subject to nor does it exercise oversight responsibility as to any other governmental entity.

Operation of the plant is governed by the Regional Sewage Treatment Plant Contract Providing for the Creation of the Williamsburg Regional Sewage Authority dated November 1, 1980 (the "Agreement"). During the fiscal year ending October 1, 2010, the Board of Delegates adopted the Fourth and Fifth Amendments to the Agreement to revise the procedures for expanding the Plant and to change the method of designating a President of the Authority.

During the year ended October 31, 2017, the District's share of the plant's expenditures was \$74,140. The District has made an advance to the reserve of the Regional Sewage Treatment Authority of \$10,000.

The following summary financial data of the Authority is presented for the fiscal year ending October 31, 2017. Additional financial information can be obtained by contacting the Authority's attorneys, Smith, Murdaugh, Little & Bonham, L.L.P.

Total Assets Total Liabilities	\$ 120,754 50,754
Total Fund Balance	\$ 70,000
Total Revenues Total Expenditures	\$ 968,937 968,937
Excess Revenues (Expenditures)	\$ -0-
Fund Balance – November 1, 2016	 70,000
Fund Balance – October 31, 2017	\$ 70,000

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 11. REGIONAL WATER AUTHORITY FEES

The West Harris County Regional Water Authority was created pursuant to a special act of the State Legislature and Article XVI of the Texas Constitution. The Authority may establish fees, user fees and charges as necessary to implement the "Groundwater Reduction Plan". In accordance with this provision, the Authority established a well pumpage fee. The current pumpage fee is \$2.45 per 1,000 gallons. The District recorded expenditures of \$169,211 related to pumpage fees during the current fiscal year.

NOTE 12. UNREIMBURSED COSTS

The District has executed various agreements for financing of facilities with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds. As of October 31, 2017, the District has recorded a liability of \$838,208 for completed projects. Any reimbursement is contingent upon future bond sales or use of available surplus funds.

NOTE 13. EMERGENCY WATER SUPPLY AGREEMENT

On September 18, 1986, the District entered into an emergency water supply agreement with Harris County Municipal Utility District Nos. 61, 64, 65 and West Harris County Municipal Utility District No. 2. Each district is responsible for maintenance of their respective water distribution system. The term of this agreement is 35 years.

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement with the City of Houston on April 11, 2003. The Agreement was amended and restated on October 29, 2014. Under the Agreement, the City will perform a limited-purpose annexation of property within the District. The City shall impose a Sales & Use Tax on the limited-purpose property activities. An amount equal to 50 percent of all Sales & Use Tax collected by the City on revenues generated within the boundaries of the limited-purpose annexation property shall be paid to the District. The Agreement continues in effect for a period of 30 years. No revenue was recorded per this Agreement in the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2017

NOTE 15. PRIOR PERIOD ADJUSTMENT

During the prior fiscal year the District's net position on a government-wide basis was understated due to errors in the calculations relating to deferred inflows of resources pertaining to property taxes, bonds payable, and developer laibilities. The effect of the adjustments necessary to correct these errors are as follows:

Net Position, November 1, 2016	\$ 1,025,645
Effect of Adjustment – Deferred Inflows of Resources	285,214
Effect of Adjustment – Bonds Payable	140,000
Effect of Adjustment – Developer Liabilities	(106,543)
Net Position, November 1, 2016, As Adjusted	<u>\$ 1,344,316</u>

NOTE 16. SUBSEQUENT EVENT – PENDING BOND SALE

Subsequent to year-end, the District received approval from the Commission to issue \$5,195,000 of bonds and use \$200,000 in surplus funds for various construction projects, including Water Plant No. 1. The delivery of the bonds is expected sometime during April 2018.



REQUIRED SUPPLEMENTARY INFORMATION

OCTOBER 31, 2017

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED OCTOBER 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)	
REVENUES					
Property Taxes	\$ 356,146	\$ 356,146	\$ 347,914	\$ (8,232)	
Water Service	112,000	112,000	136,496	24,496	
Wastewater Service	135,000	135,000	173,735	38,735	
Regional Water Authority Fees	134,000	134,000	157,031	23,031	
Penalty and Interest	4,500	4,500	2,257	(2,243)	
Tap Connection and Inspection Fees	138,000	482,519	390,019	(92,500)	
Investment Revenues	600	600	11,340	10,740	
Sale of Capacity	1,789,473	1,789,473	1,789,473	,,	
Miscellaneous Revenues	300	300	7,321	7,021	
TOTAL REVENUES	\$ 2,670,019	\$ 3,014,538	\$ 3,015,586	\$ 1,048	
EXPENDITURES					
Services Operations:					
Professional Fees	\$ 109,742	\$ 109,742	\$ 134,630	\$ (24,888)	
Contracted Services	31,310	31,310	30,963	347	
Purchased Water Service	23,293	38,293	56,458	(18,165)	
Purchased Wastewater Service	14,000	140,000	74,140	65,860	
Utilities	7,000	7,000	5,612	1,388	
Regional Water Authority Assessments	163,000	163,000	169,211	(6,211)	
Repairs and Maintenance	65,000	65,000	103,015	(38,015)	
Other	81,350	166,995	122,363	44,632	
Capital Outlay	4,424,370	4,406,370	883,441	3,522,929	
TOTAL EXPENDITURES	\$ 4,919,065	\$ 5,127,710	\$ 1,579,833	\$ 3,547,877	
NET CHANGE IN FUND BALANCE	\$(2,249,046)	\$ (2,113,172)	\$ 1,435,753	\$ 3,548,925	
FUND BALANCE - NOVEMBER 1, 2016	882,799	882,799	882,799		
FUND BALANCE - OCTOBER 31, 2017	\$(1,366,247)	\$ (1,230,373)	\$ 2,318,552	\$ 3,548,925	



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE OCTOBER 31, 2017

SERVICES AND RATES FOR THE YEAR ENDED OCTOBER 31, 2017

1.	SERVICES PROVIDED	BY THE	DISTRICT	DURING TH	E FISCAL	YEAR

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

2. RETAIL SERVICE PROVIDERS

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

Based on the Rate Order approved July 29, 2016.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 7.00	5,000	N	\$ 1.25 \$ 1.75 \$ 2.50	5,001 – 10,000 10,001 – 15,000 15,001 and up
WASTEWATER:	\$ 13.00	10,000	N	\$ 0.75 \$ 1.00 \$ 1.25	10,001 – 15,000 15,001 – 20,000 20,001 and up
SURCHARGE: Regional Water Authority Fee				\$ 2.695	Per 1,000
District employs wint	er averaging for v	vastewater usage?			Yes X No

Total monthly charges per 10,000 gallons usage: Water: \$13.25 Wastewater: \$13.00 Surcharge \$26.95

SERVICES AND RATES FOR THE YEAR ENDED OCTOBER 31, 2017

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤ ³/₄"	206	203	x 1.0	203
			x 2.5	
1½"	1	1	x 5.0	5
2"	6	6	x 8.0	48
3"	2	2	x 15.0	30
4"			x 25.0	
6"	1	1	x 50.0	50
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	<u>218</u>	215		496
Total Wastewater Connections	214	<u>211</u>	x 1.0	211

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

Gallons pumped into system:	917,000	Water Accountability Ratio 94.2% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	57,871,000	
Gallons Purchased:	63,842,000	From: Harris County Municipal Utility District Nos. 61 and 63
Leaks and Flushing:	3,125,000	

SERVICES AND RATES FOR THE YEAR ENDED OCTOBER 31, 2017

4.	STANDBY FEES (authorized only under TWC Section 49.231):								
	Does the District have Debt	Service st	andby fees?		Yes	No <u>X</u>			
	Does the District have Opera	ation and	Maintenance s	standby fees?	Yes	No <u>X</u>			
5.	LOCATION OF DISTRIC	CT:							
	Is the District located entirel	ly within o	one county?						
	Yes X	No							
	County or Counties in which	n District	is located:						
	Harris County, Texas	S							
	Is the District located within	a city?							
	Entirely	Partly		Not at all	<u>X</u>				
	Is the District located within	a city's e	extraterritorial	jurisdiction (H	ETJ)?				
	Entirely X	Partly		Not at all					
	ETJ's in which District is lo	cated:							
	City of Houston, Tex	cas.							
	Are Board Members appointed by an office outside the District?								
	Yes	No	X						

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 GENERAL FUND EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2017

PROFESSIONAL FEES:		
Auditing	\$	7,500
Engineering		73,920
Legal		53,210
TOTAL PROFESSIONAL FEES	\$	134,630
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	\$	56,458
Purchased Wastewater Service		74,140
TOTAL PURCHASED SERVICES FOR RESALE	\$	130,598
CONTRACTED SERVICES:		
Bookkeeping	\$	13,683
Operations and Billing		17,280
TOTAL CONTRACTED SERVICES	\$	30,963
UTILITIES	\$	5,612
REPAIRS AND MAINTENANCE	\$	103,015
ADMINISTRATIVE EXPENDITURES:	·	
Director Fees	\$	9,900
Insurance	Ψ	7,634
Office Supplies and Postage		13,226
Payroll Taxes		849
Travel and Meetings		1,433
Other		1,396
TOTAL ADMINISTRATIVE EXPENDITURES	\$	34,438
CAPITAL OUTLAY	\$	883,441
TAP CONNECTIONS	\$	70,030
OTHER EXPENDITURES:		
Laboratory Fees	\$	7,011
Permit Fees		1,139
Regional Water Authority Assessments		169,211
Regulatory Assessment		1,520
Sludge Hauling		8,225
TOTAL OTHER EXPENDITURES	\$	187,106
TOTAL EXPENDITURES	\$	1,579,833

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 INVESTMENTS OCTOBER 31, 2017

Fund	Identification or Interest Certificate Number Rate		Maturity Date	Balance at End of Year		Accrued Interest Receivable at End of Year	
GENERAL FUND							
TexSTAR	XXXX2220	Varies	Daily	\$	278,099	\$	
Certificate of Deposit	XXXX9458	0.94%	11/02/17		245,000		1,136
Certificate of Deposit	XXXX6847	0.94%	11/16/17		245,085		1,048
Certificate of Deposit	XXXX8028	1.00%	12/07/17		245,000		973
Certificate of Deposit	XXXX6092	1.00%	01/11/18		245,000		738
Certificate of Deposit	XXXX5729	1.07%	02/08/18		245,000		589
Certificate of Deposit	XXXX4609	1.07%	03/15/18		245,709		339
TOTAL GENERAL FUND				\$	1,748,893	\$	4,823

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED OCTOBER 31, 2017

	Maintenance Taxes			Debt Service Taxes				
TAXES RECEIVABLE - NOVEMBER 1, 2016 Adjustments to Beginning Balance	\$	364,830 (13,191)	\$	351,639	\$	528,183 (18,644)	\$	509,539
Original 2017 Tax Levy Adjustment to 2017 Tax Levy TOTAL TO BE	\$	361,281 5,452		366,733	\$	522,705 7,888	_	530,593
ACCOUNTED FOR			\$	718,372			\$	1,040,132
TAX COLLECTIONS: Prior Years Current Year	\$	347,914 -0-		347,914	\$	503,728 -0-		503,728
TAXES RECEIVABLE - OCTOBER 31, 2017			\$	370,458			\$	536,404
TAXES RECEIVABLE BY YEAR: 2017			\$	366,733			\$	530,593
2016			Ψ	546			Ψ	790
2015 2014				531 493				722 729
2013				458				734
2012				406				650
2011 2010				406 435				650 696
2009				382				697
2008 and prior			-	68				143
TOTAL			\$	370,458			\$	536,404

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED OCTOBER 31, 2017

	2017	2016	2015	2014	
TOTAL PROPERTY VALUATIONS	\$ 156,056,664	\$ 154,113,777	\$ 139,111,480	\$ 107,130,806	
TAX RATES PER \$100 VALUATION: Debt Service Maintenance	\$ 0.340 0.235	\$ 0.340 0.235	\$ 0.34 0.25	\$ 0.37 0.25	
TOTAL TAX RATES PER \$100 VALUATION ADJUSTED TAX LEVY*	\$ 0.575 \$ 897,326	\$ 0.575 \$ 886,154	\$ 0.59 \$ 820,758	\$ 0.62 \$ 664,211	
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>0.00</u> %	<u>99.85</u> %	<u>99.85</u> %	99.82 %	

Maintenance Tax – Maximum tax rate not to exceed \$0.25 per \$100 of assessed valuation approved by voters on August 22, 1978.

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



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 LONG-TERM DEBT SERVICE REQUIREMENTS OCTOBER 31, 2017

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Due During Fiscal Years Ending October 31	Principal Due March 1		nterest Due March 1/ eptember 1	Total		
2018	\$	150,000	\$ 181,559	\$	331,559	
2019		155,000	\$ 178,128		333,128	
2020		165,000	174,528		339,528	
2021		170,000	170,546		340,546	
2022		175,000	166,015		341,015	
2023		185,000	160,834		345,834	
2024		190,000	155,209		345,209	
2025		200,000	149,359		349,359	
2026		205,000	143,079		348,079	
2027		215,000	136,305		351,305	
2028		225,000	128,986		353,986	
2029		230,000	121,021		351,021	
2030		240,000	112,381		352,381	
2031		250,000	103,038		353,038	
2032		260,000	92,994		352,994	
2033		270,000	82,394		352,394	
2034		280,000	71,394		351,394	
2035		295,000	59,709		354,709	
2036		305,000	47,334		352,334	
2037		320,000	34,444		354,444	
2038		330,000	21,038		351,038	
2039		345,000	 7,116		352,116	
	\$	5,160,000	\$ 2,497,411	\$	7,657,411	

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 CHANGE IN LONG-TERM BOND DEBT FOR THE YEAR ENDED OCTOBER 31, 2017

Description	B	Original Sonds Issued	Bonds Outstanding November 1, 2016		
Harris County Municipal Utility District No. 62 Unlimited Tax Bonds - Series 2014	\$	5,160,000	\$	5,160,000	
Bond Authority:		Tax Bonds	Refu	nding Bonds	
Amount Authorized by Voters	\$	24,500,000	\$	1,800,000	
Amount Issued		9,345,000		1,800,000	
Remaining to be Issued	\$	15,155,000	\$	- 0 -	
Debt Service Fund cash and investment balances as of October 31	\$	740,877			
Average annual debt service payment (principal and interest) for reof all debt:	emaii	ning term	\$	348,064	

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

Cu	irrent Year Transact	ions		
	Retir	ements	Bonds	
Bonds Sold	Principal	Interest	Outstanding October 31, 2017	Paying Agent
\$ -0-	\$ -0-	<u>\$ 183,246</u>	\$ 5,160,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS

			Amounts
	 2017	2016	2015
Property Taxes Water Service Wastewater Service Regional Water Authority Fees Penalty and Interest Investment Revenues Sale of Capacity Miscellaneous Revenues	\$ 347,914 136,496 173,735 157,031 2,257 11,340 1,789,473 397,340	\$ 335,604 120,136 148,304 139,219 4,634 1,283	\$ 269,953 113,933 143,390 120,404 4,961 978
TOTAL REVENUES	\$ 3,015,586	\$ 750,034	\$ 654,390
EXPENDITURES Professional Fees Contracted Services Purchased Water and Wastewater Services Utilities Regional Water Authority Assessments Repairs and Maintenance Other Capital Outlay	\$ 134,630 30,963 130,598 5,612 169,211 103,015 122,363 883,441	\$ 119,952 31,351 354,443 7,026 19,319 198,930 50,782	\$ 71,730 28,924 147,671 4,620 44,415 208,136 89,983
TOTAL EXPENDITURES	\$ 1,579,833	\$ 781,803	\$ 595,479
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,435,753	\$ (31,769)	\$ 58,911
OTHER FINANCING SOURCES (USES) Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ 237,464
NET CHANGE IN FUND BALANCE	\$ 1,435,753	\$ (31,769)	\$ 296,375
BEGINNING FUND BALANCE	 882,799	 914,568	 618,193
ENDING FUND BALANCE	\$ 2,318,552	\$ 882,799	\$ 914,568

				Percentage of Total Revenue								_	
	2014		2013	2017		2016		2015		2014		2013	_
\$	210,675	\$	186,552	11.5	%	44.7	%	41.3	%	39.0	%	32.5	%
	104,945		98,915	4.5		16.0		17.4		19.5		17.2	
	110,986		93,368	5.8		19.8		21.9		20.6		16.3	
	108,789		101,851	5.2		18.6		18.4		20.2		17.8	
	2,219		2,813	0.1 0.4		0.6 0.2		0.8		0.4		0.5	
	791		722	59.3		0.2		0.1		0.1		0.1	
	968		89,201	13.2		0.1		0.1		0.2		15.6	
\$	539,373	\$	573,422	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%
\$	83,220	\$	71,193	4.5	%	16.0	%	11.0	%	15.4	%	12.4	%
4	24,838	Ψ	22,806	1.0	, 0	4.2	, 0	4.4	, 0	4.6	, 0	4.0	, 0
	127,017		100,137	4.3		47.3		22.5		23.4		17.5	
	2,529		2,772	0.2		0.9		0.7		0.5		0.5	
	63,099		83,674	5.6		2.6		6.8		11.7		14.6	
	308,092		73,456	3.4		26.5		31.8		57.1		12.8	
	43,417		39,125	4.1 29.3		6.8		13.8		8.0		6.8	
\$	652,212	\$	393,163	52.4	%	104.3	%	91.0	%	120.7	%	68.6	%
\$	(112,839)	\$	180,259	47.6	%	(4.3)	%	9.0	%	(20.7)	%	31.4	%
\$	(300)	\$	- 0 -										
\$	(113,139)	\$	180,259										
	731,332	_	551,073										

618,193

731,332

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES DEBT SERVICE FUND - FIVE YEARS

				Amounts
	2017	2016	2015	
REVENUES Property Taxes Penalty and Interest Investment Revenues	\$ 503,728 1,880 1,385	\$ 477,554 955 642	\$	412,679 1,646 726
TOTAL REVENUES	\$ 506,993	\$ 479,151	\$	415,051
EXPENDITURES Tax Collection Expenditures Debt Service Principal Debt Service Interest and Fees	\$ 81,281 183,996	\$ 20,972 275,000 188,421	\$	20,477 125,000 163,114
TOTAL EXPENDITURES	\$ 265,277	\$ 484,393	\$	308,591
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 241,716	\$ (5,242)	\$	106,460
OTHER FINANCING SOURCES (USES) Proceeds From Issuance of Long-Term Debt	\$ -0-	\$ -0-	\$	91,623
NET CHANGE IN FUND BALANCE	\$ 241,716	\$ (5,242)	\$	198,083
BEGINNING FUND BALANCE	 477,520	 482,762		284,679
ENDING FUND BALANCE	\$ 719,236	\$ 477,520	\$	482,762
TOTAL ACTIVE RETAIL WATER CONNECTIONS	215	213		216
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	211	209		212

						,				
2014	2013	2017		2016		2015		2014		2013
\$ 337,080 17,417 441	\$ 298,560 2,698 300	99.3 0.4 0.3		99.7 0.2 0.1	%	99.4 0.4 0.2	%	95.0 4.9 0.1	%	99.0 % 0.9 0.1
\$ 354,938	\$ 301,558	100.0	%	100.0	%	100.0	%	100.0	%	100.0 %
\$ 19,398 120,000 28,425	\$ 17,298 260,000 39,825	16.0 36.3	%	4.4 57.4 39.3	%	4.9 30.1 39.3	%	5.5 33.8 8.0	%	5.7 % 86.2 13.2
\$ 167,823	\$ 317,123	52.3	%	101.1	%	74.3	%	47.3	%	105.1 %
\$ 187,115	\$ (15,565)	47.7	%	(1.1)) %	25.7	%	52.7	%	(5.1) %
\$ -0-	\$ -0-									
\$ 187,115	\$ (15,565)									
 97,564	 113,129									
\$ 284,679	\$ 97,564									
216	 216									
212	212									

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS OCTOBER 31, 2017

District Mailing Address - Harris County Municipal Utility District No. 62

c/o Bacon & Wallace, L.L.P. 6363 Woodway, Suite 800 Houston, TX 77057-1762

District Telephone Number - (713) 739-1060

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended October 31, 2017	Expense Reimbursements for the year ended October 31, 2017	Title
S.J. Doehring, III	05/2014 05/2018 (Elected)	\$ 1,650	\$ -0-	President
Kay Stephenson	05/2016 05/2020 (Elected)	\$ 2,250	\$ 655	Vice President
Robert Kincaid	05/2014 05/2018 (Elected)	\$ 1,800	\$ -0-	Secretary
Janice Sijansky	05/2016 05/2020 (Elected)	\$ 2,550	\$ 68	Assistant Secretary
Lonnie Falk	05/2016 05/2020 (Elected)	\$ 1,650	\$ -0-	Director

Notes:

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054: May 25, 2016.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 62 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS OCTOBER 31, 2017

Consultants:	Date Hired	Fe ye	District es for the ar ended tober 31, 2017	Title		
Consultants	IIIICu					
Bacon & Wallace, L.L.P.	11/90	\$	82,411	General Counsel		
McCall Gibson Swedlund Barfoot PLLC	07/14/17	\$	-0-	Auditor		
Sandersen & Scheffer, PLLC	11/11/16 to 7/14/17	\$	7,500	Prior Auditor		
Myrtle Cruz, Inc.	07/17/78	\$	15,063	Bookkeeper/ Investment Officer		
Perdue, Bradon, Fielder, Collins & Mott, L.L.P.	04/09/91	\$	562	Delinquent Tax Attorney		
Edminster, Hinshaw, Russ & Associates	07/17/78	\$	312,246	Engineer		
FirstSouthwest, a Division of Hilltop Securities Inc.	07/17/78	\$	-0-	Financial Advisor		
Municipal Operations & Consulting, Inc.	06/26/12	\$	167,953	Operator		
Wheeler & Associates, Inc.	08/22/78	\$	11,203	Tax Assessor/ Collector		

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: \$ in aggregate principal amount of Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which been recovered from such Owner pursuant

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatspever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.



A subsidiary of Assured Guaranty Municipal Holdings Inc. 1633 Broadway, New York, N.Y. 10019 (212) 974-0100

Form 500NY (5/90)