

OFFICIAL STATEMENT DATED JULY 23, 2018

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

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

Moody's (Underlying) "A1"
 S&P Global Ratings (BAM Insured) "AA/Stable"
 See "MUNICIPAL BOND RATINGS" and "MUNICIPAL BOND INSURANCE"

\$4,300,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

(A Political Subdivision of the State of Texas, located within Harris County)

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2018

Dated: August 1, 2018

Due: April 1, as shown below

The \$4,300,000 Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Bonds"), are obligations of Harris County Municipal Utility District No. 102 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, ZB, National Association dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from August 1, 2018, and is payable April 1, 2019, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414929 (b)	Maturity (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414929 (b)
2019	\$415,000	2.000%	1.650%	KK4	2024 (c)	\$490,000	2.000%	2.450%	KQ1
2020	445,000	2.000%	1.850%	KL2	2025 (c)	500,000	2.250%	2.600%	KR9
2021	455,000	2.000%	2.000%	KM0	2026 (c)	515,000	3.000%	2.700%	KS7
2022	475,000	2.000%	2.150%	KN8	2027 (c)	525,000	3.000%	2.800%	KT5
2023	480,000	2.000%	2.300%	KP3					

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on April 1, 2024, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on April 1, 2023, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

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 taxable property located within the District, and from a pledge of the Net Revenues of the System, if any, as defined herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein

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



The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser (herein defined), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about August 28, 2018.

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 or the Initial Purchaser.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and 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 Coats Rose, P.C. ("Bond Counsel") 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 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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT - Updating of Official Statement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), as amended.

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

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INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 102 (the "District") of its \$4,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code; (ii) elections held within the District on May 10, 1997, February 1, 2003, and November 8, 2011; (iii) an order adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Order"); and (iv) an order of the Texas Commission on Environmental Quality ("TCEQ").

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on then cover page of this Official Statement at a price of 98.551539% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 2.747301%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Prices and Marketability

Pursuant to the procedures described in the Official Notice of Sale, the delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser 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. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-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 SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$518.3 million, \$97.4 million and \$420.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g., general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data

relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

MUNICIPAL BOND RATINGS

S&P is a division of The McGraw Hill Companies, Inc., a New York corporation. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

The Bonds are expected to receive an insured rating of "AA/Stable" from S&P solely in reliance upon the insurance of the municipal bond insurance policy issued by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. The District is not aware of any rating other than the insured rating to be assigned to the Bonds by S&P upon the issuance of the municipal bond insurance policy issued by BAM at the time of delivery of the Bonds.

Moody's Investors Service, Inc. ("Moody's") has also assigned an underlying credit rating of "A1" to the Bonds. An explanation of the rating of Moody's may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's, if, in its judgement, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P and the underlying rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District	Harris County Municipal Utility District No. 102 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Bonds.....	The District is issuing \$4,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Bonds"). The Bonds are dated August 1, 2018, and mature on April 1 in the years and amounts set forth on the cover page hereof. Interest accrues from August 1, 2018, at the rates per annum set forth on the cover page hereof and is payable on April 1, 2019, and on each October 1 and April 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS."
Redemption	Bonds maturing on and after April 1, 2024, are subject to optional redemption, in whole or from time to time in part, at the option of the District on April 1, 2023, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The Bonds are further secured by the pledge of and lien on certain Net Revenues (as defined herein), if any, from the System (as defined herein). (See "THE BONDS—Source of Payment"). The Bonds are obligations of the District, and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.
Payment Record	The District has never defaulted in the timely payment of the principal of or interest on its bonds. See "SELECTED FINANCIAL INFORMATION - Total Outstanding Bonds."
Authority for Issuance.....	The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, and Title 9 of the Texas Government Code, as amended.
Authorized but Unissued Bonds.....	After issuance of the Bonds, the District will have \$14,407,000 of bonds which have been authorized by the voters but are unissued. The voters of the District may, in the future authorize the issuance of additional bonds. Refunding bonds do not require voter authorization.
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to finance the District's share of costs associated with the following: 1) wastewater treatment plant improvements; 2) lift station improvements at wastewater treatment plant; 3) lift station nos. 1, 2, and 3 improvements; 4) manhole inflow protection inserts; and 5) to pay the costs of issuance of the Bonds.
Municipal Bond Insurance.....	Build America Mutual Assurance Company. See "MUNICIPAL BOND INSURANCE."
Municipal Bond Ratings.....	Moody's (Underlying): "A1" - See "MUNICIPAL BOND RATINGS." S&P Global Ratings (BAM Insured): "AA/Stable" - See "MUNICIPAL BOND RATINGS."
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to the Internal Revenue Code of 1986, as amended, and will represent that it has or will take such action as it deems necessary for the

Bonds to constitute "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations."

Bond CounselCoats Rose, P.C., Houston, Texas.
Disclosure CounselOrrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial AdvisorRobert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description.....Harris County Municipal Utility District No. 102 of Harris County, Texas (the "District"), created on June 18, 1975, is a political subdivision of the State of Texas, located in the northwestern portion of Harris County, Texas. The District, which contains approximately 827.9051 acres of land, is located in northwest Harris County approximately 22 miles northwest of downtown Houston, Texas, and adjacent to that portion of the corporate limits of the City of Houston (the "City") which surrounds the Addicks Reservoir. The District is bounded on the west by State Highway 6 ("SH 6"), 5.7 miles north of the intersection of SH 6 and Interstate 10 (the "Katy Freeway") and approximately 4 miles south of the intersection of SH 6 and U.S. 290 (the "Northwest Freeway"). West Little York Road bisects the District from east to west. See "LOCATION MAP."

Status of DevelopmentThe District contains approximately 827.9051 acres of land and provides water, sanitary sewer, and drainage service to Concord Colony, Jamestown Colony, Yorktown Colony, Langham Creek Colony, Georgetown Colony, Charlestown Colony, Bradford Colony, Concord Bridge Section 6, Concord Bridge North Section 1, Savannah Estates, Maple Trace and the Colonies Commercial Sections 1 and 2. See "THE DISTRICT - Status of Development."

Hurricane HarveyThe Houston area, including Harris County, sustained widespread rain and flood damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, causing historic levels of rainfall during the succeeding four days. According to the District's operator, the District's water distribution system did not sustain any significant damage and there was no interruption of service. However, certain lift stations in the District's wastewater collection system sustained damage and accordingly there was a temporary reduction of sanitary sewer service to the District. According to estimates by the District's Operator, approximately 850 homes within the District representing approximately 29% of the total homes within the District experienced flooding or other damage as a result of Hurricane Harvey. District residents have reported flooding in houses ranging from a few inches to several feet. The flooding within the District was caused by record levels of rainfall in the Langham Creek watershed. Langham Creek is the principal drainage outflow for the District. The District is located within the jurisdiction of the Harris County Flood Control District ("HCFCD"). Because of historic rainfall levels, Langham Creek overflowed its banks, which resulted in flooding in portions of the District. The District and HCFCD are evaluating the causes and effects of the flooding and any improvements to the system that may be appropriate to further protect from future flood events. See "INVESTMENT CONSIDERATIONS - Hurricane Harvey."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2017 Assessed Taxable Valuation	\$ 479,330,622	(a)
2018 Preliminary Assessed Valuation.....	\$ 494,682,625	(b)
Direct Debt		
The Outstanding Bonds.....	\$ 6,220,000	
The Bonds.....	<u>4,300,000</u>	
Total	\$ 10,520,000	
Estimated Overlapping Debt	<u>\$ 29,248,681</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 39,768,681	(c)
Direct Debt Ratio:		
As a Percentage of 2017 Assessed Taxable Valuation	2.19	%
As a Percentage of 2018 Preliminary Assessed Valuation.....	2.13	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of 2017 Assessed Taxable Valuation	8.30	%
As a Percentage of 2018 Preliminary Assessed Valuation.....	8.04	%
Debt Service Fund Balance (as of June 25, 2018).....	\$ 456,729	(d)
Operating Fund Balance (as of June 25, 2018).....	\$ 4,834,937	
Capital Projects Fund Balance (as of June 25, 2018).....	\$ 214,976	
2017 Tax Rate		
Debt Service.....	\$0.33	(e)
Maintenance and Operations	<u>\$0.31</u>	
Total	\$0.64	
Average Annual Debt Service Requirement (2018–2034).....	\$ 848,611	(f)
Maximum Annual Debt Service Requirement (2018).....	\$ 1,540,619	(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2018–2034)		
Based on 2017 Assessed Taxable Valuation at 95% Tax Collections	\$0.19	
Based on 2018 Preliminary Assessed Valuation at 95% Tax Collections	\$0.19	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2018)		
Based on 2017 Assessed Taxable Valuation at 95% Tax Collections	\$0.34	
Based on 2018 Preliminary Assessed Valuation at 95% Tax Collections	\$0.33	

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2017, provided by the Harris County Appraisal District. See “SELECTED FINANCIAL INFORMATION” and “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2018. This value represents the preliminary determination of the taxable value in the District as of January 1, 2018. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See “TAXING PROCEDURES.”
- (c) See “SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement.”
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the debt service fund.
- (e) In its memorandum authorizing issuance of the Bonds, the TCEQ recommended that, for payment of debt service on the Bonds, the District levy a tax of at least \$0.25 per \$100 of assessed valuation in the first tax year following issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum net effective interest rate of 4.28%.
- (f) Requirement of debt service on the Outstanding Bonds and the Bonds. See “DEBT SERVICE REQUIREMENTS.”

\$4,300,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2018

The Official Statement provides certain information in connection with the issuance of the Harris County Municipal Utility District No. 102 (the "District") Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code; (ii) elections held within the District on May 10, 1997, February 1, 2003, and November 8, 2011; (iii) an order adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Order"); and (iv) an order of the Texas Commission on Environmental Quality ("TCEQ").

The Official Statement includes descriptions of the Bonds, the Bond Resolution, and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

The Bonds are dated August 1, 2018, with interest payable on April 1, 2019, and each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on April 1 of the years shown on the cover page of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, ZB, National Association, dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. 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 purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Funds

The Bond Order confirms a fund for debt service on the Bonds (the "Debt Service Fund"). Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited 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 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 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.

Redemption Provisions

Bonds maturing on April 1, 2024, and thereafter shall be subject to optional redemption and payment at the option of the District, in whole or from time to time in part, on April 1, 2023, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such 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 bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for

payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and Title 9, Texas Government Code, as amended.

Outstanding Bonds

The Bonds are the third series of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds issued by the District. The District previously issued \$4,220,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 and 2,000,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014. Of such bonds previously issued by the District, all \$6,220,000 principal remains outstanding as of July 1, 2018 (the "Outstanding Bonds"). The District has never defaulted on the timely payment of debt service on its bonded indebtedness.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the Record Date and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District, and are further secured by a pledge of Net Revenues (defined below) of the System, all to the extent and subject to the conditions described below.

Tax Pledge: The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, on all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds.

Net Revenues Pledged: Net Revenues of the System, if any, are pledged in the Bond Resolution to the payment of the Bonds. The Bond Resolution provides for the termination of such pledge when and if one or more cities annex all of the territory within the District and assume all debts, liabilities, and obligations of the District. "Net Revenues" or "Revenues" are defined in the Bond Resolution as the moneys received by the District from the ownership and operation of the District's waterworks, sanitary sewer, drainage and storm sewer system, as well as under specific contracts, after deduction of the reasonable costs of administration, efficient operation, and adequate maintenance of the System. "System" is defined in the Bond Resolution as all of the District's waterworks, sanitary sewer, drainage and storm sewer system presently existing or to be constructed, all additions thereto, and all works, improvements, facilities, plants, equipment, and appliances connected therewith.

Defeasance: The Bond Resolution provides that any Bonds shall be deemed paid and shall no longer be considered a Bond within the meaning of the Bond Resolution when payment of principal of and interest on such Bond to its stated maturity, or, (if notice of redemption shall have been given, irrevocably provided for or duly waived) to the Redemption Date shall have been made or shall have been provided for. Such payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment, (2) non-callable direct or indirect obligations of the United States of America, and (3), to the extent allowed by Texas law, certain obligations issued by or on behalf of any state or political subdivision or municipality thereof and rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service, Inc. Such municipal obligations must be secured by cash or obligations described in clause (2) above which obligations (a) may be applied only to the payment of principal of (and premium, if any) and interest on such municipal obligations, (b) are, together with interest thereon, sufficient to meet liabilities of such municipal obligations, and (c) are held by an escrow agent or trustee and are not available to satisfy any other claims, including those against such trustee or escrow agent.

Neither the obligations described in clause (2) nor the obligations described in clause (3) above may be subject to redemption. Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payment to be provided for on the Bonds.

Annexation: Under Texas law, the territory within the District may be annexed by the City of Houston (the "City") without the consent of the District or its residents. If annexation by the City did occur, the District would be abolished within 90 days after annexation. When the District is abolished, the City must assume the assets, functions, and obligations of the District (including the Bonds). No representation is made concerning the likelihood of annexation or the ability of the City to make Debt Service Payments on the Bonds should annexation occur.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." After issuance of the Bonds, the District will have \$14,407,000 of unlimited tax and revenue bonds which have been authorized by the voters but are unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

Before issuing any additional bonds for water, sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. In addition to the abovementioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds without additional voter approval. The Bond Resolution places no limitation on the amount of additional bonds which may be issued by the District.

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

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City (i) providing the terms and conditions under which certain services would be provided and funded by the District and the City; and (ii) regarding the District's continued existence upon the full or limited purpose annexation of any land within the District. The terms of any such agreement would be determined by the City and the District, and would be governed by Section 43.0751 of the Texas Local Government Code. The District entered into a Strategic Partnership Agreement with the City effective as of June 18, 2004. Under the terms of the Strategic Partnership Agreement, the City agreed, among other things, not to annex the District for full purposes for a period of thirty (30) years.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and sewer system with the water and sewer systems of the districts with which it is consolidating. The District has no plans to consolidate with any other district.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, 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 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to finance the District's share of costs associated with the following: 1) wastewater treatment plant improvements; 2) lift station improvements at wastewater treatment plant; 3) lift station nos. 1, 2, and 3 improvements; 4) manhole inflow protection inserts; and 5) to pay the costs of issuance of the Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
None.	
B. District Items	
1. Wastewater Treatment Plant Improvements	\$ 1,400,000
2. Lift Station Improvements at Wastewater Treatment Plant	1,100,000
3. Lift Station No. 1 Improvements	115,000
4. Lift Station No. 2 Improvements	50,000
5. Lift Station No. 3 Improvements	130,000
6. Manhole Inflow Protection Inserts	20,000
7. Contingencies (20% items 1 - 6)	563,000
8. Engineering/Technical Services (15% items 1 - 7)	<u>506,700</u>
Total Construction Costs	\$ 3,884,700
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 86,000
B. Fiscal Advisor Fees	75,250
C. Bond Discount	62,284
D. Bond Issuance Expense	40,500
E. Bond Application Report	69,500
F. Attorney General's Fee	4,300
G. TCEQ Bond Issuance Fee	10,750
H. Contingency (a)	<u>66,716</u>
Total Non-Construction Costs	\$ 415,300
TOTAL BOND ISSUE REQUIREMENT	\$ 4,300,000

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

(a) Represents the difference between the estimated and actual amount of discount on the Bonds.

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THE DISTRICT

Authority

The District, a conservation and reclamation district created by the Texas Water Rights Commission, now the TCEQ, pursuant to Article XVI, Section 59 of the Texas Constitution, on June 18, 1975, operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District is located wholly within the extraterritorial jurisdiction of the City.

The District, which contains approximately 827.9051 acres of land, is located in northwest Harris County approximately 22 miles northwest of downtown Houston and adjacent to that portion of the corporate limits of the City of Houston which surrounds the Addicks Reservoir. The District is bounded on the west by State Highway 6 ("SH 6"), 5.7 miles north of the intersection of SH 6 and Interstate 10 (the "Katy Freeway") and approximately 4 miles south of the intersection of SH 6 and U.S. 290 (the "Northwest Freeway"). West Little York Road bisects the District from east to west. See "LOCATION MAP." The District presently serves Concord Colony, Jamestown Colony, Yorktown Colony, Langham Creek Colony, Georgetown Colony, Charlestown Colony, Bradford Colony, Concord Bridge Section 6, Concord Bridge North Section 1, Savannah Estates, Maple Trace, and The Colonies Commercial Sections 1 and 2.

Status of Development

Residential: The District has been developed, with utility facilities and street paving, as 2,546 platted single family lots and 463 townhome lots (649 acres), multi-family (17 acres), and commercial (55 acres) developments. There is no acreage that remains to be developed and approximately 40 acres within the District are undevelopable. As of May 19, 2018, the District had 2,905 active residential connections, 41 inactive residential connections, no builder connections, 3 apartment complexes totaling 540 apartment units (16 connections), 32 commercial connections, and 55 miscellaneous connections.

Commercial: Commercial development within the District includes several retail centers, including a Stein Mart, a Big Lots, a Payless Shoes, a Great Southern Music and a Firestone Service Center. Other retail and service establishments include a Chevron Convenience Center, a Citgo Service Station, several restaurants, a Houston Garden Center, a Public Storage, a Kwik Kopy, and dental and various beauty establishments. Retail centers within 2 miles of the District include a Super Walmart, Target, Best Buy, Home Depot, Lowe's, Office Depot, Office Max, Rave Theatres, and several restaurants.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Randal W. Ward	President	2019
Douglas Jordan	Vice President	2021
Jason A. Iken	Secretary	2019
Robert Moorman	Assistant Secretary	2021
Vacant	Assistant Secretary	2021

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are 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 portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The tax assessor/collector is employed by the Board of Directors of the District. Assessments of the Southwest currently serves the District in this capacity (the “Tax Assessor/Collector”).

Bookkeeper: The District’s bookkeeper is Myrtle Cruz, Inc.

Auditor: The District engaged McCall Gibson Swedlund Barfoot, PLLC, to audit its financial statements for the fiscal year ended September 30, 2017. Said financial statements are attached hereto as “APPENDIX A.”

Engineer: The District’s engineer is AEI Engineering, L.L.C. (the “Engineer”).

Operator: The District’s operator is Municipal District Services, L.L.C. (the “Operator”).

Bond Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: The District has engaged Orrick Herrington & Sutcliffe, LLP, Houston, Texas, as disclosure counsel to the District in connection with the issuance of the Bonds. The fees to be paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the “Financial Advisor”). The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

THE SYSTEM

Regulation

Construction and operation of the water, sanitary sewer and storm drainage system serving the District 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 water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and Harris County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

Water, Sanitary Sewer and Drainage System

Proceeds from sale of the District’s Outstanding Bonds, together with certain non-reimbursable developer contributions, were used to provide water production facilities, wastewater treatment capacity, and underground water distribution, wastewater collection, and drainage facilities to serve the land within the District (the “System”). The District’s System has been designed to be in conformity with the current requirements of the City, Harris County, Texas, and the TCEQ.

Source of Water Supply: The District is served by two water plants located in and operated by the District. Water Plant No. 1 includes two 800 gallon per minute (“gpm”) wells, a 240,000 gallon ground storage tank, a 125,000 gallon ground storage tank, two 10,000 gallon hydro-pneumatic tanks and three 1,000 gpm booster pumps. Water Plant No. 2 includes a 1,000 gpm well and a 1,500 gpm well, a 265,000 gallon ground storage tank, a 500,000 gallon elevated storage tank, a 10,000 gallon hydro-pneumatic tank, two 750 gpm booster pumps and one 550 gpm booster pump. In addition, the District has emergency water supply interconnects with three neighboring municipal utility districts. In the District Engineer’s opinion, the water supply facilities are adequate to serve approximately 3,897 connections within the District. The District is within the Harris-Galveston Subsidence District (the “Subsidence District”). The District is meeting the Subsidence District’s requirement by participating in the groundwater reduction plan (“GRP”) of the West Harris County Regional Water Authority (the “Authority”). See “THE SYSTEM – Subsidence and Conversion to Surface Water Supply.”

Source of Wastewater Treatment: The District is currently served by a 1,300,000 gallon per day (“gpd”) wastewater treatment plant which the District owns and operates. According to the District’s Engineer, this capacity will be sufficient to serve the future development within the District. A portion of the proceeds of the Bonds will be used to rehabilitate the wastewater collection system in the District.

100-Year Flood Plain

According to the Engineer, approximately 5 acres of the District are within the 100-year flood plain as illustrated by the Flood Insurance Rate Map, dated April 20, 2000, published by the Federal Emergency Management Agency.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District’s Regulatory Area 3 which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the

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

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major water 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 to date revenue bonds to fund, among other things, certain Authority surface water project costs. It is expected that the Authority will continue to issue substantial amounts 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 is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand within the Authority’s GRP beginning January 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority’s GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority’s GRP beginning January 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 in the amount of \$7.00 per 1,000 gallons (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of the applicable percentage of the total water demand within 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 seek 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. The District has constructed improvements to the System to convert to surface water. Additional improvements might be required in the future to complete the District’s conversion to surface water, 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.

DISTRICT BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
05/25/1981	Water, Sewer & Drainage	\$ 10,702,000	\$ 10,700,000	\$ 2,000
05/10/1997	Water, Sewer & Drainage	\$ 4,200,000	\$ 4,200,000(a)	\$ 0
02/01/2003	Water, Sewer & Drainage	\$ 15,000,000	\$ 15,000,000(a)	\$ 0
11/08/2011	Water, Sewer & Drainage	<u>\$ 15,000,000</u>	<u>\$ 595,000(a)</u>	<u>\$ 14,405,000</u>
		\$ 44,902,000	\$ 30,495,000	\$ 14,407,000

(a) Includes the Bonds.

SELECTED FINANCIAL INFORMATION
(Unaudited as of July 1, 2018)

2017 Assessed Taxable Valuation	\$ 479,330,622 (a)
2018 Preliminary Assessed Valuation.....	\$ 494,682,625 (b)

Direct Debt

The Outstanding Bonds.....	\$ 6,220,000
The Bonds.....	<u>4,300,000</u>
Total	\$ 10,520,000
Ratio of Gross Debt to 2017 Assessed Taxable Valuation.....	2.19 %
Ratio of Gross Debt to 2018 Preliminary Assessed Valuation	2.13 %

Area of District: approximately 827.9051 acres
Estimated Population: 11,517 (c)

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2017, provided by the Harris County Appraisal District ("HCAD"). See "SELECTED FINANCIAL INFORMATION" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2018. This value represents the preliminary determination of the taxable value in the District as of January 1, 2018. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."
- (c) Based upon 3.5 residents per occupied single family connection and 2.5 residents per multi-family unit, which at May 19, 2018, totaled 2,905 and 540, respectively.

Cash and Investment Balances

Debt Service Fund Balance (as of June 25, 2018).....	\$ 456,729 (a)
Operating Fund Balance (as of June 25, 2018).....	\$ 4,834,937
Capital Projects Fund Balance (as of June 25, 2018).....	\$ 214,976

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- (a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service funds.

Total Outstanding Bonds

<u>Date of Issue</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding as of Anticipated Delivery of the Bonds</u>
04/01/2011	2011	\$ 4,220,000	\$ 4,220,000
03/01/2014	2014	2,000,000	2,000,000
08/01/2018	2018(a)	<u>4,300,000</u>	<u>4,300,000</u>
TOTAL		<u>\$ 10,520,000</u>	<u>\$ 10,520,000</u>

-
- (a) The Bonds.

Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt as of June 30, 2018	Percent	Overlapping Amount
Cypress-Fairbanks ISD	\$2,517,955,000	0.97%	\$24,325,329
Harris County	2,208,674,361	0.11%	2,436,982
Harris County Department of Education	6,555,000	0.11%	7,233
Harris County Flood Control District	83,075,000	0.11%	91,662
Harris County Toll Road Authority	(a)	0.11%	0
Harris County Hospital District	59,490,000	0.11%	65,639
Port of Houston Authority	638,829,397	0.11%	704,864
Lone Star College System	638,425,000	0.25%	<u>1,616,971</u>
Total Estimated Overlapping Debt			\$29,248,681
The District			<u>\$10,520,000(b)</u>
Total Direct & Estimated Overlapping			<u>\$39,768,681(b)</u>
Ratio of Estimated Direct and Overlapping Debt to 2017 Taxable Assessed Valuation			8.30%
Ratio of Estimated Direct and Overlapping Debt to 2018 Preliminary Assessed Valuation			8.04%

(a) Harris County Toll Road Authority debt is considered self-supported debt.

(b) Includes the Bonds.

Estimated Overlapping Taxes

Taxing Jurisdiction	2017 Tax Rate/ Per \$100 of A.V.
The District	\$0.640000
Cypress-Fairbanks Independent School District	1.440000
Harris County Emergency Service District No. 9	0.052710
Harris County	0.418010
Harris County Flood Control District	0.028310
Harris County Port of Houston Authority	0.012560
Harris County Hospital District	0.171100
Harris County Department of Education	0.005195
Lone Star College System	<u>0.107800</u>
Estimated Total Tax Rate	<u>\$2.875685</u>

Classification of Assessed Valuation

The following represents the types of property comprising the District assessed taxable value for each of the 2015–2017 tax years.

Type of Property	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation
Land	\$ 92,949,568	\$ 85,251,051	\$ 82,840,052
Improvements	440,436,609	414,147,683	377,451,691
Personal Property	13,154,138	13,811,788	14,613,852
Exemptions	<u>(67,209,693)</u>	<u>(67,679,275)</u>	<u>(57,155,678)</u>
Total	\$ 479,330,622	\$ 445,531,247	\$ 417,749,917

Historical Tax Collections

The following table illustrates the collection history of the District from the 2012-2017 tax years:

Tax Year	Assessed Valuation (a)	Tax Rate	Levy	Current		Total		Fiscal Year Ending
				Amount	%	Amount	%	
2012	\$352,521,492	\$0.7000	\$2,469,631	\$2,447,718	99.11%	\$2,455,948	99.45%	9/30/2013
2013	347,755,232	0.7000	2,450,698	2,432,291	99.25%	2,452,001	100.05%	9/30/2014
2014	377,997,975	0.7000	2,652,048	2,625,208	98.99%	2,621,942	98.86%	9/30/2015
2015	417,749,917	0.6900	2,892,864	2,867,325	99.12%	2,891,022	99.94%	9/30/2016
2016	445,531,247	0.6400	2,862,671	2,829,150	98.83%	2,840,189	99.21%	9/30/2017
2017	479,330,622	0.6400	3,067,716	2,980,585	97.16%	2,998,307	97.74%	9/30/2018 (b)

(a) Values may have subsequently been adjusted.

(b) Collections through April 30, 2018.

Tax Rate Distribution

The following table sets out the components of the District’s tax levy for each of the 2013–2017 tax years.

	2017	2016	2015	2014	2013
Debt Service	\$0.3300	\$0.3500	\$0.3900	\$0.4000	\$0.4000
Maintenance & Operation	0.3100	0.2900	0.3000	0.3000	0.3000
Total	\$0.6400	\$0.6400	\$0.6900	\$0.7000	\$0.7000

Tax Rate Limitation

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

Maintenance and Operation General:\$0.50 per \$100 assessed taxable valuation.

Maintenance Taxes

The Board 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. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$0.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See “Tax Rate Distribution” below.

Additional Penalties

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

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2017:

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2017 Tax Roll</u>	<u>Assessed Valuation 2016 Tax Roll</u>
BRE Retail Residual Owner 1 LLC	Commercial	\$16,290,084	\$16,661,501
Texas MSI Ltd	Commercial/Multi-Family	12,426,010	12,713,358
Storage Partners Hwy 6 LP	Commercial	4,568,955	4,613,527
PS Texas Holdings Ltd	Commercial	4,398,657	4,256,072
CenterPoint Energy Houston Electric	Utilities	2,487,920	3,587,620
Copper Plaza LP	Commercial	2,657,900	2,656,677
Roman Properties Inc.	Lots & Homes	2,167,820	2,472,500
Langham Creek Apartments LLC	Commercial	2,060,684	2,360,621
Kroger Texas No. 326	Personal Property/Commercial	1,885,651	1,942,602
Festival Properties Inc.	Commercial	2,133,070	1,921,423
		<u>\$51,076,751</u>	<u>\$53,185,901</u>

Tax Rate Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the District’s assessed taxable valuation as of January 1, 2017 (\$479,330,622) or the preliminary assessed valuation as of January 1, 2018 (\$494,682,625). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2018–2034)	\$ 848,611
Debt Service Tax Rate of \$0.19 on the 2017 Assessed Taxable Valuation produces	\$ 865,192
Debt Service Tax Rate of \$0.19 on the 2018 Preliminary Assessed Valuation produces	\$ 892,902
Maximum Annual Debt Service Requirement (2018)	\$1,540,619
Debt Service Tax Rate of \$0.34 on the 2017 Assessed Taxable Valuation produces	\$1,548,238
Debt Service Tax Rate of \$0.33 on the 2018 Preliminary Assessed Valuation produces	\$1,550,830

Debt Service Fund Management Index

Debt Service Requirements for the calendar year ending December 31, 2018	\$1,540,619(a)
Debt Service Fund Balance (as of September 30, 2017).....	\$ 567,788
2017 Debt Service Fund Tax Levy @ 95% collections produces.....	\$ <u>1,502,702(b)</u> \$ <u>2,027,928</u>

- (a) Reflects the debt service requirements after the issuance of the Bonds.
 (b) Debt Service tax rate at \$0.33/\$100 of the 2017 taxable assessed valuation.

WATER AND SEWER OPERATIONS

General

The Outstanding 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 and are additionally payable from, and are secured by a pledge of and lien on the Net Revenues described under "THE BONDS - Source of Payment - Net Revenues Pledged," if any, derived from operation of the System. No prediction is made, nor can any assurance be given, that the System will produce Net Revenues available to pay principal of or interest on the Outstanding Bonds.

Rate and Fee Schedule

The Board of Directors of the District establishes rates and fees for water and sewer service. The rates are subject to change from time to time. The following general rates were included in the District's Rate Order dated June 26, 2017.

Water and Sewer

Water Rates - All Users

First 6,000 gallons	\$10.00 (minimum)
6,001 to 12,000 gallons	\$2.00 per 1,000 gallons
12,001 to 20,000 gallons	\$2.50 per 1,000 gallons
All over 20,000 gallons	\$3.00 per 1,000 gallons

Sewer Rates

Single Family Homes	\$23.00 per month flat rate
Townhomes	\$22.00 per month flat rate
Multi-family	\$23.00 per month per unit flat rate
Commercial	\$23.00 per month flat rate plus \$1.00 per 1,000 gallons of water used over 6,000 gallons

Tap Fees

Single Family	\$1,250.00
All Others	By contract with the District but no more than 3 times the District's cost
Non-taxable Entities	District's cost

Sewer Inspection Fee

\$50 for residential users
Cost + 20% for commercial users

OPERATING STATEMENT

General Fund Operations

The following statement sets forth in condensed form the historical results of operation of the System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
Revenues	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13
Maintenance Tax	\$ 1,286,705	\$ 1,256,781	\$ 1,123,697	\$ 1,050,597	\$ 1,051,483
Sales Tax Revenue	152,104	150,050	155,309	176,748	167,660
Water and Sewer Services	1,686,979	1,590,908	1,649,328	1,611,754	1,587,013
Penalty & Interest	65,792	53,510	86,209	86,919	88,463
Regional Water Authority Fees	892,998	815,094	767,949	756,812	785,759
Tap Connection & Inspection Fee	27,395	19,200	20,370	23,686	24,228
Investment Revenues	26,207	14,463	7,978	5,227	4,744
Miscellaneous Revenues	37,146	92,254	48,459	36,964	44,738
Insurance Reimbursements	170,095	0	0	0	0
FEMA Reimbursement Total	<u>270,774</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 4,616,195	\$ 3,992,260	\$ 3,859,299	\$ 3,748,707	\$ 3,754,088
Expenditures					
Professional Fees	\$ 220,020	\$ 148,091	\$ 204,311	\$ 136,959	\$ 313,822
Purchased and Contracted Services	1,196,481	1,160,083	1,113,633	1,129,236	1,151,667
Purchased Water Service	753,554	734,915	734,368	700,592	637,012
Utilities	303,985	296,359	261,218	245,206	281,758
Repairs & Maintenance	588,344	765,299	421,806	394,414	466,868
Regional Water Authority Assessment	144,389	114,547	41,208	59,426	160,729
Other Operating Expenditures	322,610	363,227	336,274	336,483	352,599
Capital Outlay	38,146	127,096	0	0	82,161
Bond Issuance Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,126</u>
TOTAL	\$ 3,567,529	\$ 3,709,617	\$ 3,112,818	\$3 ,002,316	\$ 3,453,742
Net Revenues (Expenditures)	\$ 1,048,666	\$ 282,643	\$ 746,481	\$ 746,391	\$ 300,346
Other Financing Sources (Uses) Expenditures	\$ 0	\$ 0	\$ 0	\$ 5,393	\$ 0
Beginning Fund Bal. (Oct. 1)	<u>\$ 3,379,973</u>	<u>\$ 3,097,330</u>	<u>\$ 2,350,849</u>	<u>\$ 1,599,065</u>	<u>\$ 1,298,719</u>
Ending Fund Bal. (Sept. 30)	<u>\$ 4,428,639</u>	<u>\$ 3,379,973</u>	<u>\$ 3,097,330</u>	<u>\$ 2,350,849</u>	<u>\$ 1,599,065</u>

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and interest requirements on the Outstanding Bonds and the Bonds.

Calendar Year	Outstanding Debt Service	The Bonds		Total Debt Service
		Principal	Interest	
2018	\$ 1,540,619	-	-	\$ 1,540,619
2019	596,594	\$ 415,000	\$ 109,775	1,121,369
2020	601,481	445,000	84,900	1,131,381
2021	605,544	455,000	75,900	1,136,444
2022	600,519	475,000	66,600	1,142,119
2023	606,075	480,000	57,050	1,143,125
2024	610,319	490,000	47,350	1,147,669
2025	618,331	500,000	36,825	1,155,156
2026	619,775	515,000	23,475	1,158,250
2027	624,569	525,000	7,875	1,157,444
2028	622,797	-	-	622,797
2029	629,578	-	-	629,578
2030	629,744	-	-	629,744
2031	173,831	-	-	173,831
2032	177,531	-	-	177,531
2033	180,725	-	-	180,725
2034	<u>178,609</u>	-	-	<u>178,609</u>
Total	<u>\$ 9,616,641</u>	<u>\$ 4,300,000</u>	<u>\$ 509,750</u>	<u>\$ 14,426,391</u>

Average Annual Debt Service Requirement (2018-2034)	\$ 848,611
Maximum Annual Debt Service Requirement (2018)	\$ 1,540,619

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas; the City; or any political subdivision other than the District, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "THE DISTRICT - Status of Development."

Hurricane Harvey

Hurricane Harvey Flooding

The Houston area, including Harris County, sustained widespread rain and flood damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, causing historic levels of rainfall during the succeeding four days. According to the District's operator, the District's water distribution system did not sustain any significant damage and there was no interruption of service. However, certain lift stations in the District's wastewater collection system sustained damage and accordingly there was a temporary reduction of sanitary sewer service to the District. According to estimates by the District's Operator, approximately 850 homes within the District representing approximately 29% of the total homes within the District experienced flooding or other damage as a result of Hurricane Harvey. District residents have reported flooding in houses ranging from a few inches to several feet. The flooding within the District was caused by record levels of rainfall in the Langham Creek watershed. Langham Creek is the principal drainage outflow for the District. The District is located within the jurisdiction of the Harris County Flood Control District ("HCFCD"). Because of historic rainfall levels, Langham Creek overflowed its banks, which resulted in flooding in portions of the District. The District and HCFCD are evaluating the causes and effects of the flooding and any improvements to the system that may be appropriate to further protect from future flood events.

Effect on Taxable Value

On or about August 23, 2017, in anticipation of Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in counties located along the Texas Gulf Coast, including Harris County. The assessed value of property is determined annually by HCAD as of January 1, so that damage from Hurricane Harvey would normally not affect taxable values in the District until January 1, 2018. However, the governing body of a taxing unit located within an area declared to be a disaster area by the governor may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. The Board of Directors of the District declined to take any action with regard to requesting a reappraisal of damaged property located within the District. The District cannot predict what impact Hurricane Harvey will have on the assessed value of homes within the District. Such determination will be made by HCAD based on the market value of such homes as of the date of the reappraisal for damaged property, and for all property as of January 1, 2018. The appraised market values will be affected by, among other things, the extent to which any damage has occurred and the extent to which it is repaired. Further, there is no assurance that casualty losses in the District will be covered by insurance. Flood casualties are usually excepted from coverage of home insurance unless specific flood insurance is separately purchased.

The District cannot provide assurance that any insurance company will fulfill its obligation to pay insurance proceeds, or, if paid, that property owners will use insurance proceeds to rebuild or repair property damage. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. Finally, it is not known what impact the effects of Hurricane Harvey will have generally upon the value of property that did not sustain damage. A substantial decrease in the assessed valuation in the District may result in a corresponding increase in the District's tax rate.

Effect on District Debt

The District has outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011, in the outstanding principal amount of \$4,220,000 and Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2014, in the outstanding principal amount of \$2,000,000; both of which are supported by an unlimited pledge of revenues from ad valorem taxes levied on the taxable property in the District together with Net Revenues, if any, from the operation of the System.

In 2017, the District set a tax of \$0.640000 per \$100 assessed value on property within the District, with \$0.310000 for operations and maintenance and \$0.330000 for debt service. In addition, the tax rates for property within the following jurisdictions for 2017 were as follows: Harris County, Texas, was \$0.418010 per \$100 assessed value; HCFCDD was \$0.028310 per \$100 assessed value; Port of Houston Authority was \$0.012560 per \$100 assessed value; Harris County Department of Education was \$0.005195 per \$100 assessed value; Harris County Hospital District was \$0.171100 per \$100 assessed value; Harris County Emergency Service District No. 9 was \$0.052710 per \$100 assessed value; Cypress-Fairbanks Independent School District was \$1.440000 per \$100 assessed value; and Lone Star College System was \$0.107800 per \$100 assessed value; for a total estimated overlapping tax rate of \$2.875685 per \$100 assessed value.

Assessed values in property in the District could decrease because of flood damage reappraisals or in future appraisals because of the extent to which damage is repaired and the timing of repairs, or the effect Hurricane Harvey will have generally upon the value of homes in the District or the region.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: Development in the District is substantially complete, but maintenance of taxable values in the District is related to the vitality of the residential housing industry in the Greater Houston Metropolitan Area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, energy availability, gasoline prices, credit availability and consumer demand.

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed taxable valuation as of January 1, 2017, of all taxable property located within the District is \$479,330,622, and the 2018 Preliminary Assessed Valuation of all taxable property located within the District as of January 1, 2018, is \$494,682,625. See "SELECTED FINANCIAL INFORMATION."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2018) will be \$1,540,619, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2018-2034) will be \$848,611. Assuming no decrease to the District's assessed taxable valuation as of January 1, 2017, tax rates of \$0.34 and \$0.19 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the District's 2018 Preliminary Assessed Valuation, tax rates of \$0.33 and \$0.19 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2017, the District levied a maintenance tax of \$0.31 per \$100 of assessed valuation and a debt service tax of \$0.33 per \$100 of assessed valuation.

Competitive Nature of Residential Housing Market

The housing industry in the metropolitan area of Greater Houston is very competitive, but the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer

within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds ("Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

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

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District or Initial Purchaser has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over

the life of the investment. See “Bond Insurance” herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

Future Debt

The District has the right to issue the remaining \$14,407,000 authorized but unissued unlimited tax and revenue bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue refunding bonds to refund its outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds and certain other additional bonds, special project bonds, and other obligations. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. See “THE BONDS - Issuance of Additional Debt.”

Continuing Compliance with Certain Covenants

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

Environmental 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 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 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 HGB 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 ppb to 70 ppb (“the 2015 Ozone Standard”). On May 1, 2018, the EPA designated the HGB area as nonattainment for the 2015 Ozone Standard, and submitted this ruling for publication in the Federal Register. The HGB area nonattainment designation will become effective sixty days after publication in the Federal Register. A designation of nonattainment for ozone or any pollutant can negatively impact

business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. This designation could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

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.

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and 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 municipal 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 put the CWR on hold nationwide. On January 22, 2018, the United States Supreme Court held that challenges to the CWR must proceed in federal district court as they do not fall within one of the CWA's enumerated categories of EPA actions for which the federal courts of appeal have jurisdiction. On February 6, 2018, the states of Texas, Louisiana, and Mississippi filed a lawsuit in federal district court seeking an injunction enjoining the implementation and enforcement of the CWR.

On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR, reinstating language in place before 2015 changes, and proposing the development of a revised definition of "waters of the United States." This proposed rule was published in the Federal Register on July 27, 2017, the comment period ended on September 28, 2017, and comments are currently under review by the agencies. The EPA plans to issue a proposed new regulation in the spring of 2018, and finalize the revised rule by the end of 2018. On January 31, 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR by two years from the date the rule is published in the Federal Register, until 2020. In response, a coalition of states filed a lawsuit in the U.S. District Court for the Southern District of New York alleging the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period. 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 is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. In order to maintain MS4 Permit compliance, the District is partnering with the City to participate in the City's program to develop and implement the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does

not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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, 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 the small municipal separate 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.

Changes in Tax Legislation

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

On November 2, 2017, the United States House of Representatives introduced the Tax Cuts and Jobs Act (the "Bill"), which was subsequently approved by the United States Senate on December 20, 2017. The Bill, which was signed by the President of the United States on December 22, 2017, repeals the provisions allowing for tax-exempt advance refundings, prohibiting any tax-exempt advance refunding bonds from being issued after December 31, 2017.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution 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 and its water and wastewater system and for the payment of certain contractual obligations. See "SELECTED FINANCIAL INFORMATION - Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

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

The Property 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 Harris County Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads

of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 at no cost to the veteran. The exemption will apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the

property owner make specified improvements or repairs to the property in conformity with the terms of the 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. At this time, Harris County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for 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 years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Code.

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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, 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 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). 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 Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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 tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "- Book-Entry-Only System" and "-Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and 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 has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth

or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Coats Rose, P.C., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received, or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the

Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations

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.

The District has designated the Bonds as "qualified tax-exempt obligations" and will represent 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 these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners. The District is required to observe this 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 and material events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") or any successor to its functions as a repository through the MSRB's system. This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB via EMMA. The financial information and operating data which will be provided is found in the section titled "SELECTED FINANCIAL INFORMATION" and in "APPENDIX A – Financial Statements of the District." The District will update and provide this information 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 within six months after the end of each of fiscal year. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain specified 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of

such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the 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 Undertaking

The District is in compliance in all material respects with all continuing disclosure agreements made during the past five years.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "THE DISTRICT – Status of Development," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the section captioned "SELECTED FINANCIAL INFORMATION" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 102 as of the date shown on the cover page hereof.

/s/ Randal W. Ward
President, Board of Directors
Harris County Municipal Utility District No. 102

ATTEST:

/s/ Jason A. Iken
Secretary, Board of Directors
Harris County Municipal Utility District No. 102

APPENDIX A
Financial Statements of the District

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2017

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 102
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. 102 (the "District"), as of and for the year ended September 30, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 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 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Management's discussion and analysis of Harris County Municipal Utility District No. 102's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 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 Fund Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has 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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FUND FINANCIAL STATEMENTS (Continued)

collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund 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 by \$12,203,532 at September 30, 2017.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding).

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 5,944,398	\$ 5,133,450	\$ 810,948
Capital Assets (Net of Accumulated Depreciation)	<u>14,469,172</u>	<u>15,317,159</u>	<u>(847,987)</u>
Total Assets	<u>\$ 20,413,570</u>	<u>\$ 20,450,609</u>	<u>\$ (37,039)</u>
Long-Term Liabilities	\$ 6,149,212	\$ 7,424,862	\$ 1,275,650
Other Liabilities	<u>2,060,826</u>	<u>2,162,287</u>	<u>101,461</u>
Total Liabilities	<u>\$ 8,210,038</u>	<u>\$ 9,587,149</u>	<u>\$ 1,377,111</u>
Net Position:			
Net Investment in Capital Assets	\$ 7,127,470	\$ 6,800,358	\$ 327,112
Restricted	620,074	661,403	(41,329)
Unrestricted	<u>4,455,988</u>	<u>3,401,699</u>	<u>1,054,289</u>
Total Net Position	<u>\$ 12,203,532</u>	<u>\$ 10,863,460</u>	<u>\$ 1,340,072</u>

The following table provides a summary of the District's operations for the years ended September 30, 2017, and September 30, 2016.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,852,561	\$ 2,886,813	\$ (34,252)
Sales Tax Receipts	152,104	150,050	2,054
Charges for Services	2,702,449	2,518,774	183,675
Other Revenues	<u>509,222</u>	<u>110,307</u>	<u>398,915</u>
Total Revenues	<u>\$ 6,216,336</u>	<u>\$ 5,665,944</u>	<u>\$ 550,392</u>
Expenses for Services	<u>(4,876,264)</u>	<u>(4,480,629)</u>	<u>(395,635)</u>
Change in Net Position	\$ 1,340,072	\$ 1,185,315	\$ 154,757
Net Position, Beginning of Year	<u>10,863,460</u>	<u>9,678,145</u>	<u>1,185,315</u>
Net Position, End of Year	<u>\$ 12,203,532</u>	<u>\$ 10,863,460</u>	<u>\$ 1,340,072</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2017, were \$5,217,731, an increase of \$915,994 from the prior year.

The General Fund fund balance increased by \$1,048,666, primarily due to service revenues, insurance and FEMA reimbursements exceeding operating costs.

The Debt Service Fund fund balance decreased by \$78,019, primarily due to a timing difference between the collection of property taxes and debt service payment dates.

The Capital Projects Fund fund balance decreased by \$54,653, primarily due to the use of bond proceeds received in the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$611,195 more than budgeted revenues. Actual expenditures were \$121,951 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of September 30, 2017, total \$14,469,172 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant projects completed in the current fiscal year include lift station rehabilitation. Construction in progress includes the North Area A and B sanitary sewer rehabilitation.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 262,059	\$ 262,059	\$
Construction in Progress	73,805	31,415	42,390
Capital Assets, Net of Accumulated Depreciation:			
Buildings	47,718	51,394	(3,676)
Water System	7,877,271	8,467,961	(590,690)
Wastewater System	5,798,739	6,079,712	(280,973)
Drainage System	409,580	424,618	(15,038)
Total Net Capital Assets	<u>\$ 14,469,172</u>	<u>\$ 15,317,159</u>	<u>\$ (847,987)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$7,485,000. The changes in the debt position of the District during the fiscal year ended September 30, 2017, are summarized as follows:

Bond Debt Payable, October 1, 2016	\$ 8,705,000
Less: Bond Principal Paid	<u>1,220,000</u>
Bond Debt Payable, September 30, 2017	<u>\$ 7,485,000</u>

The District’s bonds carry an underlying rating of “A1” by Moody’s Investors Service.

The Series 2011 bonds carry an insured rating of “A2” by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

The Series 2014 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corp.

The Series 2008 and Series 2012 Refunding bonds do not have an insured rating.

CONTACTING THE DISTRICT’S FINANCIAL 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. 102, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1100, Houston, TX 77046.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 577,421	\$ 153,802
Investments	3,908,130	264,935
Cash with Paying Agent		151,147
Receivables:		
Property Taxes	27,349	35,546
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$10,000)	255,497	
Accrued Interest	8,658	516
Other	180,258	
Due from Developers	20,770	
Due from Other Funds	1,521	
Prepaid Costs	87,038	
Due from Other Governments	29,174	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,095,816	\$ 605,946

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 122,468	\$ 853,691	\$	\$ 853,691
102,028	4,275,093		4,275,093
	151,147		151,147
	62,895		62,895
		19,093	19,093
	255,497		255,497
568	9,742		9,742
	180,258		180,258
	20,770		20,770
	1,521	(1,521)	
	87,038		87,038
	29,174		29,174
		262,059	262,059
		73,805	73,805
		14,133,308	14,133,308
<u>\$ 225,064</u>	<u>\$ 5,926,826</u>	<u>\$ 14,486,744</u>	<u>\$ 20,413,570</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 194,712	\$ 265
Accrued Interest Payable		
Due to Other Governments	78,128	
Due to Other Funds		1,521
Due to Taxpayers		826
Security Deposits	366,988	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 639,828	\$ 2,612
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 27,349	\$ 35,546
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 87,038	\$
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		567,788
Unassigned	4,341,601	
TOTAL FUND BALANCES	\$ 4,428,639	\$ 567,788
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,095,816	\$ 605,946
NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,760	\$ 198,737	\$	\$ 198,737
	78,128	151,147	151,147
	1,521	(1,521)	78,128
	826		826
	366,988		366,988
		1,265,000	1,265,000
		6,149,212	6,149,212
<u>\$ 3,760</u>	<u>\$ 646,200</u>	<u>\$ 7,563,838</u>	<u>\$ 8,210,038</u>
<u>\$ -0-</u>	<u>\$ 62,895</u>	<u>\$ (62,895)</u>	<u>\$ -0-</u>
\$	\$ 87,038	\$ (87,038)	\$
72,510	72,510	(72,510)	
148,794	148,794	(148,794)	
	567,788	(567,788)	
	4,341,601	(4,341,601)	
<u>\$ 221,304</u>	<u>\$ 5,217,731</u>	<u>\$ (5,217,731)</u>	<u>\$ - 0 -</u>
<u>\$ 225,064</u>	<u>\$ 5,926,826</u>		
		\$ 7,127,470	\$ 7,127,470
		471,280	471,280
		148,794	148,794
		4,455,988	4,455,988
		<u>\$ 12,203,532</u>	<u>\$ 12,203,532</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Total Fund Balances - Governmental Funds	\$	5,217,731
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		14,469,172
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District.</p>		81,988
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:</p>		
Accrued Interest Payable	\$ (151,147)	
Bonds Payable Within One Year	(1,265,000)	
Bonds Payable After One Year	<u>(6,149,212)</u>	<u>(7,565,359)</u>
Total Net Position - Governmental Activities		<u>\$ 12,203,532</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,286,705	\$ 1,553,484
Sales Tax Receipts	152,104	
Water Service	718,384	
Wastewater Service	968,595	
Regional Water Authority Fees	892,998	
Penalty and Interest	65,792	25,529
Tap Connection and Inspection Fees	27,395	
Investment Revenues	26,207	3,021
Miscellaneous Revenues	37,146	918
Insurance Reimbursements	170,095	
FEMA Reimbursements	270,774	
	<u>\$ 4,616,195</u>	<u>\$ 1,582,952</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 220,020	\$ 18,356
Contracted Services	1,196,481	65,242
Purchased Water Service	753,554	
Utilities	303,985	
Regional Water Authority Assessments	144,389	
Repairs and Maintenance	588,344	
Depreciation		
Other	322,610	4,506
Capital Outlay	38,146	
Debt Service:		
Bond Principal		1,220,000
Bond Interest		352,867
	<u>\$ 3,567,529</u>	<u>\$ 1,660,971</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ 1,048,666	\$ (78,019)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2016	<u>3,379,973</u>	<u>645,807</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2017	<u>\$ 4,428,639</u>	<u>\$ 567,788</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,840,189	\$ 12,372	\$ 2,852,561
	152,104		152,104
	718,384		718,384
	968,595		968,595
	892,998		892,998
	91,321	3,756	95,077
	27,395		27,395
1,061	30,289		30,289
	38,064		38,064
	170,095		170,095
	270,774		270,774
<u>\$ 1,061</u>	<u>\$ 6,200,208</u>	<u>\$ 16,128</u>	<u>\$ 6,216,336</u>
\$ 13,161	\$ 251,537	\$	\$ 251,537
	1,261,723		1,261,723
	753,554		753,554
	303,985		303,985
	144,389		144,389
	588,344		588,344
		928,523	928,523
163	327,279		327,279
42,390	80,536	(80,536)	
	1,220,000	(1,220,000)	
	352,867	(35,937)	316,930
<u>\$ 55,714</u>	<u>\$ 5,284,214</u>	<u>\$ (407,950)</u>	<u>\$ 4,876,264</u>
\$ (54,653)	\$ 915,994	\$ (915,994)	\$
		1,340,072	1,340,072
<u>275,957</u>	<u>4,301,737</u>	<u>6,561,723</u>	<u>10,863,460</u>
<u>\$ 221,304</u>	<u>\$ 5,217,731</u>	<u>\$ 6,985,801</u>	<u>\$ 12,203,532</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net Change in Fund Balances - Governmental Funds \$ 915,994

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

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. 12,372

Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed. 3,756

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (928,523)

Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities. 80,536

Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected. 1,220,000

Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end and the current amortized portion of the bond discounts and bond premiums is added to the interest expense. 35,937

Change in Net Position - Governmental Activities \$ 1,340,072

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 102, located in Harris County, Texas (the “District”) was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective June 18, 1975. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 5, 1975, and the first bonds were sold on April 26, 1977.

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 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.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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

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

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

Basis of Accounting

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$20,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2008
Amount Outstanding – September 30, 2017	\$ 880,000
Interest Rates	4.75%
Maturity Dates – Beginning/Ending	April 1, 2018
Interest Payment Dates	April 1/ October 1
Callable Dates	N/A

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2011	Refunding Series 2012	Series 2014
Amount Outstanding – September 30, 2017	\$ 4,220,000	\$ 385,000	\$ 2,000,000
Interest Rates	3.50% - 4.50%	3.00%	3.00% - 4.125%
Maturity Dates – Beginning/Ending	April 1, 2019/2030	April 1, 2018	April 1, 2019/2023, 2025, 2027, 2029, 2031, 2034
Interest Payment Dates	April 1/ October 1	April 1/ October 1	April 1/ October 1
Callable Dates	April 1, 2012*	N/A	April 1, 2023*

* 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. The Series 2014 term bonds maturing on April 1, 2025, April 1, 2027, April 1, 2029, April 1, 2031, and April 1, 2034, are subject to mandatory redemption beginning April 1, 2024, April 1, 2026, April 1, 2028, April 1, 2030, and April 1, 2032, respectively, by lot or other customary random selection method.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2017:

	October 1, 2016	Additions	Retirements	September 1, 2017
Bonds Payable	\$ 8,705,000	\$	\$ 1,220,000	\$ 7,485,000
Unamortized Discounts	(105,941)		(16,358)	(89,583)
Unamortized Premiums	45,803		27,008	18,795
Bonds Payable, Net	<u>\$ 8,644,862</u>	<u>\$ -0-</u>	<u>\$ 1,230,650</u>	<u>\$ 7,414,212</u>
		Amount Due Within One Year		\$ 1,265,000
		Amount Due After One Year		<u>6,149,212</u>
		Bonds Payable, Net		<u>\$ 7,414,212</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2017, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,265,000	\$ 302,293	\$ 1,567,293
2019	355,000	248,943	603,943
2020	375,000	234,244	609,244
2021	395,000	218,719	613,719
2022	405,000	202,370	607,370
2023-2027	2,345,000	778,860	3,123,860
2028-2032	2,000,000	275,912	2,275,912
2033-2034	345,000	21,450	366,450
	<u>\$ 7,485,000</u>	<u>\$ 2,282,791</u>	<u>\$ 9,767,791</u>

As of September 30, 2017, the District had authorized but unissued bonds in the amount of \$18,707,000 for utility facilities.

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

During the year ended September 30, 2017, the District levied an ad valorem debt service tax at the rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$1,565,523 on the adjusted taxable valuation of \$447,292,418 for the 2016 tax year. The bond resolutions 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 maintenance tax levy.

The District's tax calendar is as follows:

- Levy Date - October 1, 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

- A. The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- B. 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 each 5th year anniversary of each issue. In compliance with this requirement, the 5th year arbitrage rebate calculation reports were prepared on the Series 2008 bonds and the Series 2012 Refunding bonds. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.
- C. The bond resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$3,358,109 and the bank balance was \$3,603,166. Of the bank balance, \$2,410,120 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 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 September 30, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 577,421	\$ 2,295,378	\$ 2,872,799
DEBT SERVICE FUND	153,802	107,012	260,814
CAPITAL PROJECTS FUND	122,468	102,028	224,496
TOTAL DEPOSITS	\$ 853,691	\$ 2,504,418	\$ 3,358,109

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. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers’ acceptances with limitations, (10) commercial

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of September 30, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years	
		Less Than 1	1-5
<u>GENERAL FUND</u>			
TexPool	\$ 1,612,752	\$ 1,612,752	\$
Certificates of Deposit	2,295,378	2,295,378	
<u>DEBT SERVICE FUND</u>			
TexSTAR	157,923	157,923	
Certificates of Deposit	107,012	107,012	
<u>CAPITAL PROJECTS FUND</u>			
Certificates of Deposit	102,028	102,028	
TOTAL INVESTMENTS	\$ 4,275,093	\$ 4,275,093	\$ - 0 -

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2017, the District's investments in TexPool and TexSTAR were 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 investments in TexPool and 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 approximately one year or less.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017:

	October 1, 2016	Increases	Decreases	September 30, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 262,059	\$	\$	\$ 262,059
Construction in Progress	31,415	80,536	38,146	73,805
Total Capital Assets Not Being Depreciated	<u>\$ 293,474</u>	<u>\$ 80,536</u>	<u>\$ 38,146</u>	<u>\$ 335,864</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 147,041	\$	\$	\$ 147,041
Water System	15,562,311	38,146		15,600,457
Wastewater System	12,175,071			12,175,071
Drainage System	657,224			657,224
Total Capital Assets Subject to Depreciation	<u>\$ 28,541,647</u>	<u>\$ 38,146</u>	<u>\$ - 0 -</u>	<u>\$ 28,579,793</u>
Less Accumulated Depreciation				
Buildings	\$ 95,647	\$ 3,676	\$	\$ 99,323
Water System	7,094,350	628,836		7,723,186
Wastewater System	6,095,359	280,973		6,376,332
Drainage System	232,606	15,038		247,644
Total Accumulated Depreciation	<u>\$ 13,517,962</u>	<u>\$ 928,523</u>	<u>\$ - 0 -</u>	<u>\$ 14,446,485</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,023,685</u>	<u>\$ (890,377)</u>	<u>\$ - 0 -</u>	<u>\$ 14,133,308</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,317,159</u>	<u>\$ (809,841)</u>	<u>\$ 38,146</u>	<u>\$ 14,469,172</u>

The District has financed drainage facilities which have been conveyed to other entities for maintenance.

NOTE 7. MAINTENANCE TAX

On April 3, 1976, 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. On November 8, 2011, voters of the District approved a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation. During the year ended September 30, 2017, the District levied an ad valorem maintenance tax at the rate of \$0.29 per \$100 of assessed valuation, which resulted in a tax levy of \$1,297,148 on the adjusted taxable valuation of \$447,292,418 for the 2016 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

Harris County Municipal Utility District No. 185

On December 17, 1981, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 185 (“District No. 185”). The contract provides that District No. 185 will cause to be constructed an interconnect with the District to be used as an emergency water supply. The term of the agreement was for ten years. On March 23, 1992, the contract was amended to extend the term of the agreement for a period of 40 years. The price to be paid for water delivered shall be the highest rate at which water is supplied by either district to residential customers within its boundaries.

Horsepen Bayou Municipal Utility District

On January 3, 1980, the District executed an emergency water supply contract with Horsepen Bayou Municipal Utility District (“Horsepen Bayou”). The contract provides that Horsepen Bayou will cause to be constructed an interconnect with the District to be used as an emergency water supply. The term of the original agreement was for ten years. Various contract amendments have been made to extend the term of the contract. The contract will expire January 3, 2020. The contract also states that for all water delivered to a district under the terms of this contract, the receiving district shall pay the supplying district an amount equal to the fee, charge or assessment, if any, that is applicable to the water so delivered and that is charged to the supplying district by the West Harris County Regional Water Authority. The districts have chosen not to bill each other for water used.

Harris County Municipal Utility District No. 250

On January 23, 1984, the District entered into a contract with Harris County Municipal Utility District No. 250 (“District No. 250”) to provide for emergency water supply. The contract provides for District No. 250 to construct the interconnect with the District. The contract was supplemented on August 26, 1993, to extend the term of the agreement to January 22, 2004. On March 29, 2005, the District and District No. 250 entered into the Amended and Restated Emergency Water Supply Agreement. The price for water will be the rate charged to residential customers within the boundaries of the supplying district, plus the pumpage fees charged to the supplying district by the West Harris County Regional Water Authority. The term of the agreement is five years and shall continue for additional one-year periods unless terminated by either party giving 120 days written notification.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9. JOINT AGREEMENT FOR DRAINAGE FACILITIES

On October 24, 1994, the District and Horsepen Bayou Municipal Utility District (“Horsepen Bayou”) entered into an agreement to share in the construction and operation of a 13.763-acre detention pond. Construction costs including engineering fees, legal fees and permits were shared based on pro-rata capacity allocated to each district. Horsepen Bayou owns 57.60% and the District owns 42.40%. The term of the agreement is 40 years from December 7, 1994 and thereafter year to year.

Horsepen Bayou operates and maintains the detention pond for the benefit of both districts until the detention pond is conveyed to the County. The cost of operating and maintaining the detention pond as well as legal fees shall be shared based on pro-rata capacity allocated to each district. Horsepen Bayou will prepare an annual budget each year and each district will pay its pro-rata share into a separate account maintained by Horsepen Bayou exclusively for the purpose of paying for the cost of operations and maintenance on the detention pond.

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$2.45 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$144,389 for fees assessed during the current fiscal year.

The District also recorded an expenditure of \$753,554 for water received from the Authority during the current fiscal year. The current rate is \$2.85 per 1,000 gallons of water received.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY (Continued)

On April 1, 2006, the District entered into a Water Delivery Agreement with the Authority whereby the District agreed to allow the Authority to use the District's lines to deliver water to District No. 250. The District receives compensation from the Authority in the form of credits for electricity which are applied against pumpage and/or surface water fees in return for use of the District's lines.

During a prior fiscal year, the District completed the construction of the new disinfection system at their water plant. Upon completion, the District began receiving water from the Authority. Districts receive a reimbursement from the Authority for the cost of the new disinfection systems. The District expended \$954,382 for the design and construction of their project. On December 19, 2008, the District received \$547,875 from the Authority for reimbursement of a portion of the disinfection system. On May 22, 2011, the District received an additional \$152,250 from the Authority for the costs of the disinfection system.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective June 18, 2004, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the District and the Tract of land within the District. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement. After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement. During the current fiscal year, the District recorded \$152,104 of revenue related to this agreement, of which \$29,174 was receivable at September 30, 2017.

NOTE 13. INTERFUND BALANCES

The Debt Service Fund (Tax Account) owed the General Fund \$1,521 for maintenance tax collections.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,260,000	\$ 1,286,705	\$ 26,705
Sales Tax Receipts	160,000	152,104	(7,896)
Water Service	825,000	718,384	(106,616)
Wastewater Service	925,000	968,595	43,595
Regional Water Authority Fees	770,000	892,998	122,998
Penalty and Interest	55,000	65,792	10,792
Tap Connection and Inspection Fees		27,395	27,395
Investment Revenues	10,000	26,207	16,207
Miscellaneous Revenues		37,146	37,146
Insurance Reimbursements		170,095	170,095
FEMA Reimbursements		270,774	270,774
TOTAL REVENUES	<u>\$ 4,005,000</u>	<u>\$ 4,616,195</u>	<u>\$ 611,195</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 229,700	\$ 220,020	\$ 9,680
Contracted Services	1,192,000	1,196,481	(4,481)
Purchased Water Service	855,000	753,554	101,446
Utilities	300,000	303,985	(3,985)
Regional Water Authority Assessments		144,389	(144,389)
Repairs and Maintenance	740,000	588,344	151,656
Other	372,780	322,610	50,170
Capital Outlay		38,146	(38,146)
TOTAL EXPENDITURES	<u>\$ 3,689,480</u>	<u>\$ 3,567,529</u>	<u>\$ 121,951</u>
NET CHANGE IN FUND BALANCE	\$ 315,520	\$ 1,048,666	\$ 733,146
FUND BALANCE - OCTOBER 1, 2016	<u>3,379,973</u>	<u>3,379,973</u>	
FUND BALANCE - SEPTEMBER 30, 2017	<u>\$ 3,695,493</u>	<u>\$ 4,428,639</u>	<u>\$ 733,146</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2017

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective June 26, 2017.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 10.00	6,000	N	\$ 2.00 2.50 3.00	6,001 to 12,000 12,001 to 20,000 20,001 and up
WASTEWATER:	\$ 23.00		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 2.99*	1,001 and up

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

Total monthly charges per 10,000 gallons usage: Water: \$18.00 Wastewater: \$23.00 Surcharge: \$29.90 Total \$70.90

* Based on current West Harris County Regional Water Authority surface water rate plus 5%.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>2,971</u>	<u>2,910</u>	x 1.0	<u>2,910</u>
1"	<u>35</u>	<u>34</u>	x 2.5	<u>85</u>
1½"	<u>22</u>	<u>22</u>	x 5.0	<u>110</u>
2"	<u>32</u>	<u>32</u>	x 8.0	<u>256</u>
3"			x 15.0	
4"	<u>4</u>	<u>4</u>	x 25.0	<u>100</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>3,066</u></u>	<u><u>3,004</u></u>		<u><u>3,561</u></u>
Total Wastewater Connections	<u><u>2,993</u></u>	<u><u>2,935</u></u>	x 1.0	<u><u>2,935</u></u>

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

Gallons pumped into system:	60,242,000	Water Accountability Ratio: 95.5% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	293,987,000	From: West Harris County Regional Water Authority
Gallons billed to customers:	311,196,000	
Gallons sold:	26,978,000	To: Harris County Municipal Utility District No. 250

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

PROFESSIONAL FEES:	
Auditing	\$ 15,775
Engineering	105,903
Legal	<u>98,342</u>
TOTAL PROFESSIONAL FEES	<u>\$ 220,020</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 753,554</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 23,900
Operations and Billing	<u>289,298</u>
TOTAL CONTRACTED SERVICES	<u>\$ 313,198</u>
UTILITIES:	
Electricity	<u>\$ 303,985</u>
REPAIRS AND MAINTENANCE	<u>\$ 588,344</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 19,500
Dues	580
Election Costs	2,785
Insurance	41,397
Legal Notices	2,950
Office Supplies and Postage	46,721
Payroll Taxes	1,330
Travel and Meetings	7,804
Other	<u>12,492</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 135,559</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CAPITAL OUTLAY:	
Capitalized Assets	\$ 38,146
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY:	<u>\$ 38,146</u>
SOLID WASTE DISPOSAL	<u>\$ 480,383</u>
SECURITY	<u>\$ 402,900</u>
OTHER EXPENDITURES:	
Chemicals	\$ 32,685
Laboratory Fees	64,318
Permit Fees	20,538
Inspection Fees	4,606
Regional Water Authority Assessments	144,389
Commission Regulatory Assessments	7,940
Sludge Hauling	<u>56,964</u>
TOTAL OTHER EXPENDITURES	<u>\$ 331,440</u>
TOTAL EXPENDITURES	<u>\$ 3,567,529</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
INVESTMENTS
SEPTEMBER 30, 2017

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	1.0270%	Daily	\$ 1,612,752	\$
Certificate of Deposit	XXXX0408	0.7500%	10/18/17	240,964	1,718
Certificate of Deposit	XXXX0399	1.0000%	03/22/18	240,000	1,263
Certificate of Deposit	XXXX5622	1.2800%	07/13/18	500,000	1,385
Certificate of Deposit	XXXX7951	0.5000%	02/11/18	245,000	775
Certificate of Deposit	XXXX5581	1.1600%	03/17/18	240,000	1,503
Certificate of Deposit	XXXX3913	0.7000%	03/23/18	101,002	370
Certificate of Deposit	XXXX2488	0.5100%	03/24/18	243,047	645
Certificate of Deposit	XXXX6636	0.7500%	03/24/18	242,034	945
Certificate of Deposit	XXXX7638	0.9000%	09/21/18	<u>243,331</u>	<u>54</u>
TOTAL GENERAL FUND				<u>\$ 3,908,130</u>	<u>\$ 8,658</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3000	1.0317%	Daily	\$ 157,923	\$
Certificate of Deposit	XXXX1460	1.0000%	04/07/18	<u>107,012</u>	<u>516</u>
TOTAL DEBT SERVICE FUND				<u>\$ 264,935</u>	<u>\$ 516</u>
<u>CAPITAL PROJECTS FUND</u>					
Certificate of Deposit	XXXX1871	0.7500%	01/02/18	<u>\$ 102,028</u>	<u>\$ 568</u>
TOTAL - ALL FUNDS				<u>\$ 4,275,093</u>	<u>\$ 9,742</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2016	\$	21,726	\$	28,797
Adjustments to Beginning				
Balance		<u>(4,820)</u>	\$	<u>16,906</u>
			<u>(6,290)</u>	\$
				22,507
Original 2016 Tax Levy	\$	1,240,490	\$	1,497,143
Adjustment to 2016 Tax Levy		<u>56,658</u>	<u>1,297,148</u>	<u>68,380</u>
TOTAL TO BE				<u>1,565,523</u>
ACCOUNTED FOR		\$	1,314,054	\$
				1,588,030
TAX COLLECTIONS:				
Prior Years	\$	4,746	\$	6,293
Current Year		<u>1,281,959</u>	<u>1,286,705</u>	<u>1,547,191</u>
				<u>1,553,484</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2017		<u>\$</u>	<u>27,349</u>	<u>\$</u>
				<u>34,546</u>
TAXES RECEIVABLE BY				
YEAR:				
2016	\$	15,189	\$	18,332
2015		4,338		5,639
2014		2,124		2,832
2013		1,746		2,328
2012		1,545		2,059
2011 and Prior		<u>2,407</u>		<u>3,356</u>
TOTAL	\$	<u>27,349</u>	\$	<u>34,546</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2016	2015	2014	2013
PROPERTY VALUATIONS:				
Land	\$ 85,197,706	\$ 82,803,732	\$ 70,931,053	\$ 70,931,053
Improvements	415,531,027	377,696,251	348,600,046	319,845,877
Personal Property	14,058,895	15,138,212	12,785,612	12,785,612
Exemptions	(67,495,210)	(56,491,033)	(53,568,715)	(53,568,715)
TOTAL PROPERTY VALUATIONS	\$ 447,292,418	\$ 419,147,162	\$ 378,747,996	\$ 349,993,827
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.35	\$ 0.39	\$ 0.40	\$ 0.40
Maintenance**	0.29	0.30	0.30	0.30
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.64	\$ 0.69	\$ 0.70	\$ 0.70
ADJUSTED TAX LEVY*	\$ 2,862,671	\$ 2,892,864	\$ 2,652,048	\$ 2,450,698
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.83 %	99.66 %	99.81 %	99.83 %

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

** Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on April 3, 1976. On November 8, 2011, voters of the District approved to increase the maximum tax rate to \$0.50.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

SERIES - 2008

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2018	\$ 880,000	\$ 41,800	\$ 921,800
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 880,000</u>	<u>\$ 41,800</u>	<u>\$ 921,800</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

S E R I E S - 2 0 1 1

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2018	\$	\$ 177,062	\$ 177,062
2019	270,000	177,062	447,062
2020	285,000	164,912	449,912
2021	300,000	152,088	452,088
2022	310,000	138,588	448,588
2023	325,000	127,738	452,738
2024	340,000	115,550	455,550
2025	355,000	102,376	457,376
2026	370,000	88,176	458,176
2027	390,000	72,912	462,912
2028	405,000	56,338	461,338
2029	425,000	38,619	463,619
2030	445,000	20,026	465,026
2031			
2032			
2033			
2034			
	<u>\$ 4,220,000</u>	<u>\$ 1,431,447</u>	<u>\$ 5,651,447</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

REFUNDING SERIES - 2012

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1/ October 1</u>	<u>Total</u>
2018	\$ 385,000	\$ 11,550	\$ 396,550
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 385,000</u>	<u>\$ 11,550</u>	<u>\$ 396,550</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

SERIES - 2014

Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2018	\$	\$ 71,881	\$ 71,881
2019	85,000	71,881	156,881
2020	90,000	69,332	159,332
2021	95,000	66,631	161,631
2022	95,000	63,782	158,782
2023	100,000	60,932	160,932
2024	105,000	57,931	162,931
2025	115,000	54,783	169,783
2026	120,000	51,331	171,331
2027	125,000	47,131	172,131
2028	130,000	42,756	172,756
2029	140,000	37,881	177,881
2030	145,000	32,630	177,630
2031	150,000	26,831	176,831
2032	160,000	20,831	180,831
2033	170,000	14,231	184,231
2034	175,000	7,219	182,219
	<u>\$ 2,000,000</u>	<u>\$ 797,994</u>	<u>\$ 2,797,994</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2018	\$ 1,265,000	\$ 302,293	\$ 1,567,293
2019	355,000	248,943	603,943
2020	375,000	234,244	609,244
2021	395,000	218,719	613,719
2022	405,000	202,370	607,370
2023	425,000	188,670	613,670
2024	445,000	173,481	618,481
2025	470,000	157,159	627,159
2026	490,000	139,507	629,507
2027	515,000	120,043	635,043
2028	535,000	99,094	634,094
2029	565,000	76,500	641,500
2030	590,000	52,656	642,656
2031	150,000	26,831	176,831
2032	160,000	20,831	180,831
2033	170,000	14,231	184,231
2034	175,000	7,219	182,219
	<u>\$ 7,485,000</u>	<u>\$ 2,282,791</u>	<u>\$ 9,767,791</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Description	Original Bonds Issued	Bonds Outstanding October 1, 2016
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	\$ 5,015,000	\$ 1,740,000
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	4,220,000	4,220,000
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	2,490,000	745,000
Harris County Municipal Utility District No. 102 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL	<u><u>\$ 13,725,000</u></u>	<u><u>\$ 8,705,000</u></u>

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 53,447,000	\$ - 0 -
Amount Issued	<u>34,740,000</u>	<u> </u>
Remaining to be Issued	<u><u>\$ 18,707,000</u></u>	<u><u>\$ - 0 -</u></u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash, investments and cash with paying agent balances as of September 30, 2017:	<u><u>\$ 569,884</u></u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u><u>\$ 574,576</u></u>

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

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2017	Paying Agent
	Principal	Interest		
\$	\$ 860,000	\$ 81,574	\$ 880,000	Wells Fargo Bank Texas, N.A.
		177,062	4,220,000	Wells Fargo Bank Texas, N.A.
	360,000	22,350	385,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		71,881	2,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,220,000</u>	<u>\$ 352,867</u>	<u>\$ 7,485,000</u>	

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amount		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,286,705	\$ 1,256,781	\$ 1,123,697
Sales Tax Receipts	152,104	150,050	155,309
Water Service	718,384	617,988	677,778
Wastewater Service	968,595	972,920	971,550
Regional Water Authority Fees	892,998	815,094	767,949
Penalty and Interest	65,792	53,510	86,209
Tap Connection and Inspection Fees	27,395	19,200	20,370
Investment Revenues	26,207	14,463	7,978
Miscellaneous Revenues	37,146	92,254	48,459
Insurance Reimbursements	170,095		
FEMA Reimbursements	270,774		
TOTAL REVENUES	\$ 4,616,195	\$ 3,992,260	\$ 3,859,299
EXPENDITURES			
Professional Fees	\$ 220,020	\$ 148,091	\$ 204,311
Contracted Services	1,196,481	1,160,083	1,113,633
Purchased Water Service	753,554	734,915	734,368
Utilities	303,985	296,359	261,218
Regional Water Authority Assessments	144,389	114,547	41,208
Repairs and Maintenance	588,344	765,299	421,806
Other	322,610	363,227	336,274
Capital Outlay	38,146	127,096	
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 3,567,529	\$ 3,709,617	\$ 3,112,818
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,048,666	\$ 282,643	\$ 746,481
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 1,048,666	\$ 282,643	\$ 746,481
BEGINNING FUND BALANCE	3,379,973	3,097,330	2,350,849
ENDING FUND BALANCE	\$ 4,428,639	\$ 3,379,973	\$ 3,097,330

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 1,050,597	\$ 1,051,483	27.8 %	31.4 %	29.1 %	28.1 %	28.0
176,748	167,660	3.3	3.8	4.0	4.7	4.5
644,089	624,051	15.6	15.5	17.6	17.2	16.6
967,665	962,962	21.0	24.4	25.2	25.8	25.7
756,812	785,759	19.3	20.4	19.9	20.2	20.9
86,919	88,463	1.4	1.3	2.2	2.3	2.4
23,686	24,228	0.6	0.5	0.5	0.6	0.6
5,227	4,744	0.6	0.4	0.2	0.1	0.1
36,964	44,738	0.8	2.3	1.3	1.0	1.2
		3.7				
		5.9				
<u>\$ 3,748,707</u>	<u>\$ 3,754,088</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0</u>
\$ 136,959	\$ 313,822	4.8 %	3.7 %	5.3 %	3.7 %	8.4
1,129,236	1,151,667	25.9	29.1	28.9	30.1	30.7
700,592	637,012	16.3	18.4	19.0	18.7	17.0
245,206	281,758	6.6	7.4	6.8	6.5	7.5
59,426	160,729	3.1	2.9	1.1	1.6	4.3
394,414	466,868	12.7	19.2	10.9	10.5	12.4
336,483	352,599	7.0	9.1	8.7	9.0	9.4
	82,161	0.8	3.2			2.2
	7,126					0.2
<u>\$ 3,002,316</u>	<u>\$ 3,453,742</u>	<u>77.2 %</u>	<u>93.0 %</u>	<u>80.7 %</u>	<u>80.1 %</u>	<u>92.1</u>
<u>\$ 746,391</u>	<u>\$ 300,346</u>	<u>22.8 %</u>	<u>7.0 %</u>	<u>19.3 %</u>	<u>19.9 %</u>	<u>7.9</u>
<u>\$ 5,393</u>	<u>\$ - 0 -</u>					
\$ 751,784	\$ 300,346					
1,599,065	1,298,719					
<u>\$ 2,350,849</u>	<u>\$ 1,599,065</u>					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amount		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,553,484	\$ 1,634,241	\$ 1,498,245
Penalty and Interest	25,529	28,332	19,714
Investment Revenues	3,021	1,841	2,071
Miscellaneous Revenues	918	10	
TOTAL REVENUES	\$ 1,582,952	\$ 1,664,424	\$ 1,520,030
EXPENDITURES			
Tax Collection Expenditures	\$ 86,054	\$ 81,294	\$ 83,139
Debt Service Principal	1,220,000	1,170,000	1,130,000
Debt Service Interest and Fees	354,917	402,393	444,336
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 1,660,971	\$ 1,653,687	\$ 1,657,475
NET CHANGE IN FUND BALANCE	\$ (78,019)	\$ 10,737	\$ (137,445)
BEGINNING FUND BALANCE	645,807	635,070	772,515
ENDING FUND BALANCE	\$ 567,788	\$ 645,807	\$ 635,070
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,004	3,010	3,025
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,935	2,942	2,961

		Percentage of Total Revenues				
<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,401,404	\$ 1,402,834	98.1 %	98.2 %	98.6 %	98.1 %	98.5 %
24,001	16,873	1.6	1.7	1.3	1.7	1.2
3,495	3,530	0.2	0.1	0.1	0.2	0.2
	714	0.1				0.1
<u>\$ 1,428,900</u>	<u>\$ 1,423,951</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 78,032	\$ 82,481	5.4 %	4.9 %	5.5 %	5.5 %	5.8 %
1,100,000	1,035,000	77.1	70.3	74.3	77.0	72.7
406,785	466,243	22.4	24.2	29.2	28.5	32.7
	2,251					0.2
<u>\$ 1,584,817</u>	<u>\$ 1,585,975</u>	<u>104.9 %</u>	<u>99.4 %</u>	<u>109.0 %</u>	<u>111.0 %</u>	<u>111.4 %</u>
\$ (155,917)	\$ (162,024)	<u>(4.9) %</u>	<u>0.6 %</u>	<u>(9.0) %</u>	<u>(11.0) %</u>	<u>(11.4) %</u>
<u>928,432</u>	<u>1,090,456</u>					
<u>\$ 772,515</u>	<u>\$ 928,432</u>					
<u>2,999</u>	<u>2,993</u>					
<u>2,938</u>	<u>2,930</u>					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2017

District Mailing Address - Harris County Municipal Utility District No. 102
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1100
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2017</u>	Expense Reimbursements for the year ended <u>September 30, 2017</u>	<u>Title</u>
Randal W. Ward	05/15 05/19 (Elected)	\$ 7,500	\$ 3,533	President
Douglas Jordan	05/17 05/21 (Elected)	\$ 3,150	\$ 2,948	Vice President
David Scholler	05/17 05/21 (Elected)	\$ 1,800	\$ -0-	Secretary/ Treasurer
Jason Iken	05/15 05/19 (Elected)	\$ 1,650	\$ 103	Assistant Secretary
Robert Moorman	05/17 05/21 (Elected)	\$ 5,400	\$ 1,279	Assistant Secretary/ Assistant Treasurer/ Investment Officer

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 22, 2017

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) on July 28, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2017

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2017</u>	<u>Title</u>
Coats Rose, P.C.	09/18/80	\$ 120,861 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/21/87	\$ 15,775	Auditor
Myrtle Cruz, Inc.	04/20/95	\$ 27,474	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/26/96	\$ 7,432	Delinquent Tax Attorney
AEI Engineering, LLC	04/05/93	\$ 119,518	Engineer
Robert W. Baird & Co. Incorporated	04/27/15	\$ -0-	Financial Advisor
Municipal District Services, L.L.C.	11/30/09	\$ 754,270	Operator
Assessments of the Southwest, Inc.	10/01/03	\$ 45,524	Tax Assessor/ Collector

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN