OFFICIAL STATEMENT DATED JULY 18, 2018

NEW ISSUE -BOOK-ENTRY-ONLY | **Rating: Moody's "A2"**
See "MUNICIPAL BOND RATINGS"

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 BOND COUNSEL'S OPINION.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS."

$2,140,000
MISSION BEND MUNICIPAL UTILITY DISTRICT No. 2
(A Political Subdivision of the State of Texas Located in Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2018

Dated: August 22, 2018 | **Due: September 1, as shown on the inside cover page**

Interest on the $2,140,000 Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds, Series 2018 (the "Bonds") will accrue from the Dated Date, defined above, be payable March 1, 2019 and each September 1 and March 1 thereafter until maturity, and be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are not subject to redemption prior to maturity. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is The Bank of New York Mellon Trust Company, Dallas, Texas (the "Paying Agent" or "Paying Agent/Registrar"). The Bonds are obligations solely of Mission Bend Municipal Utility District No. 2 (the "District") and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any entity other than the District.

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS and CUSIP NUMBERS
(see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of and Security for Payment." This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered by the initial purchaser (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel"). Delivery of the Bonds is expected through the facilities of DTC on or about August 22, 2018 (the "Initial Delivery"), in Houston, Texas.

MATURITIES
(Due September 1)

Due	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP Number [c]
2019	$ 5,000	2.000%	2.000%	605023JD3
2020	5,000	2.000%	2.150%	605023JE1
2021	400,000	2.000%	2.000%	605023JF8
2022	410,000	2.000%	2.150%	605023JG6
2023	425,000	2.000%	2.300%	605023JH4
2024	440,000	2.000%	2.450%	605023JJ0
2025	455,000	2.250%	2.600%	605023JK7

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* Redemption Provisions: The Bonds are not subject to redemption prior to maturity. See "THE BONDS - Redemption."

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.76% of par, resulting in a net effective interest rate to the District of 2.514278%.

(b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.

(c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor Public Finance Group LLC, the District's financial advisor (the "Financial Advisor") is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not alone 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 the official statement (the "Official Statement") are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

The Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 the other matters described herein since the date hereof. However, the District has agreed to keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THE OFFICIAL STATEMENT REGARDING THE DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THE OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION OF THE BONDS

Initial Purchaser

After requesting competitive bids for the Bonds, the District has accepted the bid of resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser" or the "Underwriter") bearing the lowest interest rates shown on the inside cover page hereof, at price of 97.76% of the par value which resulted in a net effective interest rate of 2.514278% as calculated pursuant to Texas Government Code Chapter 1204, as amended (the "IBA" method).

Issue Price Certificate

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 initial offering prices at which the Bonds of each maturity have been offered to the public. 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 responsibility of the Initial Purchaser.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the 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 or 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

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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.

The statements contained in the Official Statement and in other information provided by the District that are not purely historical are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in the Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS- Forward-Looking Statements."

MUNICIPAL BOND RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned a rating of “A2” to the Bonds. An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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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. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Investment in the Bonds is subject to certain investment considerations. See "INVESTMENT CONSIDERATIONS."

INCLEMENT WEATHER / HURRICANE HARVEY

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

Impact on District.......................... The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Si Environmental, LLC (the "Operator"), there was no interruption of water and sewer service as a result of Hurricane Harvey. According to AECOM (the "Engineer"), the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District no homes or other improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

THE DISTRICT

The District .... Mission Bend Municipal Utility District No. 2 (the "District"), located in Harris County, Texas, a political subdivision of the State of Texas, as authorized by Article XVI, Section 59 of the Texas Constitution, was created on December 13, 1977 by the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."

Location .... The District is located approximately 20 miles west of the central business district of the City of Houston. Access to the District is provided via Westheimer Road, Bellaire Boulevard or IH 10 to SH 6, via West Park Toll Road to Highway 6 or via the Southwest Freeway ("U.S. 59") to Bellaire Boulevard, which bisects the District from east to west. The District lies within the 2,500 acre Mission Bend development, and currently contains approximately 738.70 acres of land. See "LOCATION MAP" and "THE DISTRICT - Location." The District has entered into a strategic partnership agreement with the City of Houston. See "THE DISTRICT – Strategic Partnership Agreement" herein.

The Developer.............................. The Developer currently active within the District is K. Hovnanian of Houston II, LLC, a Texas limited liability company, which is wholly-owned by Hovnanian Enterprises, Inc.

Status of Development .... The District contains approximately 738.70 acres, of which approximately 691.50 are developable. As of June 26, 2018, approximately 617.70 acres (or 89.33% of the approximately 691.50 developable acres within the District) have been developed with utility facilities. Single-family development consists of three residential subdivisions including Altamira, Beechnut Meadows, and Terra del Sol. As of June 26, 2018, single family residential development includes 916 developed single-family lots, which encompass 908 completed homes, 8 homes under construction, and zero vacant lots. The District also contains four large retail stores with a total of approximately 425,646 square feet of space, eight strip shopping centers, three banks, six apartment complexes totaling 2,654 units, a 160,000 square foot office building, an automobile dealership and surrounding auto repair shops, three gas stations, two public storage facilities, twelve fast food establishments, fifteen restaurants, two laundromats, and various other retail and commercial establishments. In addition, the District contains two Alief ISD schools, four religious academy schools, four churches, and a YMCA, all of which are exempt from ad valorem taxation. The District contains approximately 73.80 acres of developable land that remains to be developed with streets and water, sanitary sewer and drainage facilities. See "THE DISTRICT – Historical and Current Status of Development."

Homebuilder.................................. According to the Developer, the only home builder active within the District is K. Hovnanian Homes. Homes range in price from approximately $254,950 to $264,950, with square footage ranging from approximately 1,990 to 2,200. See "THE DEVELOPER – Homebuilder within the District."

THE BONDS

Description.................................... The Bonds, in the aggregate principal amount of $2,140,000, mature serially in varying amounts on September 1 of each year from 2019 through 2025, inclusive, as set forth on the inside cover page hereof. Interest will accrue from the Dated Date at the rates per annum set forth on the inside cover page hereof and be payable March 1, 2019 and each September 1 and March 1 thereafter until maturity. The Bonds are not subject to redemption prior to maturity. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS - General Description."

Source of Payment .... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." **The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any entity other than the District.** See "THE BONDS - Source of and Security for Payment."

Payment Record .... The Bonds constitute the fourteenth installment of bonds issued by the District. The District has not defaulted in the timely payment of principal of or interest on its previously issued obligations (collectively, the "Previously Issued Bonds"). See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."

Authority for Issuance .... The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; bond elections held within the District on April 4, 1981, January 9, 1982 and November 7, 2006; the approving order of the Texas Commission on Environmental Quality (the "TCEQ"); and a resolution adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."

Use of Proceeds……………… The proceeds of the Bonds will be used to finance the design and construction of water, wastewater and drainage facilities to serve Terra del Sol Section 5 and Terra de Sol Section 9.

The remaining Bond proceeds will be used to: (i) capitalize twelve months' interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay other costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Bonds Authorized But Unissued....................................... Pursuant to separate elections held on April 4, 1981, January 9, 1982 and November 7, 2006, voters within the District have authorized the issuance of a total of $45,620,000 of unlimited tax bonds to be issued for the acquisition and construction of water, sewer and drainage facilities, of which $13,400,000 will remain authorized but unissued after the issuance of the Bonds. On April 3, 1993, voters of the District authorized the issuance of a total of $30,000,000 of bonds to be issued only for the purpose of refunding the District's outstanding debt, of which $24,390,234 remains authorized but unissued. At an election held in the District on November 7, 2006, the voters within the District approved the issuance of $8,000,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, of which $5,210,000 remains authorized but unissued. The voters of the District may, in the future, authorize the issuance of additional obligations. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6" and "THE BONDS – Issuance of Additional Debt."

Municipal Bond Rating and Bond Insurance........................ Moody's Investors Service, Inc. ("Moody's) has assigned a rating of "A2" to the Bonds.

Qualified Tax-Exempt Obligations .... The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"). See "TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS."

General Counsel and Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas
Financial Advisor	Public Finance Group LLC, Austin, Texas
Engineer	AECOM Technical Services, Inc., Houston, Texas
Paying Agent / Registrar	The Bank of New York Mellon Trust Company, Dallas, Texas

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to investment in the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2017 Certified Assessed Valuation		$406,145,225 [(a)]	
2018 Preliminary Assessed Valuation		$438,684,413 [(b)]	
Gross Debt Outstanding (after issuance of the Bonds)		$ 6,960,000 [(c)]	
Ratio of Gross Debt to 2017 Certified Assessed Valuation		1.71%	
Ratio of Gross Debt to 2018 Preliminary Assessed Valuation		1.59%	
2017 Tax Rate			
Debt Service	$ 0.2480		
Maintenance	0.4205		
Total 2017 Tax Rate		$ 0.6685 [(d)]	
Debt Service Fund Balance (as of June 19, 2018)		$ 1,082,302 [(e)]	
Percentage of current tax collections (Tax Years 1997-2017)		99.48% [(f)]	
Percentage of total tax collections (Tax Years 1997-2017)		99.48% [(f)]	
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2018-2025, inclusive)		$ 977,438	
Tax Rate required to pay Average Requirement based upon 2017 Certified Assessed Valuation at 95% collections		$ 0.26	/$100 AV
Tax Rate required to pay Average Requirement based upon 2018 Preliminary Assessed Valuation at 95% collections		$ 0.24	/$100 AV
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2020)		$ 1,101,318	
Tax Rate required to pay Maximum Requirement based upon 2017 Certified Assessed Valuation at 95% collections		$ 0.29	/$100 AV
Tax Rate required to pay Maximum Requirement based upon 2018 Preliminary Assessed Valuation at 95% collections		$ 0.27	/$100 AV
Number of active connections as of June 26, 2018			
Single Family - Complete and Occupied		908	
Single Family - Builder		8	
Total Number of Active Connections		**916**	
Estimated Population as of June 26, 2018		3,826 [(g)]	

(a) The certified assessed valuation as of January 1, 2017, as provided by Harris Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."

(b) The Preliminary Assessed Valuation as of January 1, 2018, as provided by HCAD, is included solely for purposes of illustration. No taxes will be levied on this assessed valuation unless it is certified by HCAD. See "TAXING PROCEDURES."

(c) Includes the Bonds.

(d) The District levied a 2017 tax rate of $0.6685. See "TAXING PROCEDURES."

(e) Unaudited as of June 19, 2018. Does not include twelve months' capitalized interest ($53,806) included in the Bond proceeds, to be deposited into the Debt Service Fund at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.

(f) See "TAX DATA – Tax Collections."

(g) Based on 3.5 residents per active single-family complete and occupied connection and 2.5 residents per occupied apartment unit. Of the 2,654 total apartment units, 2,517 units are currently occupied. See "THE DISTRICT - Current Status of Development – *Multi-Family*" for current apartment occupancy rates.

OFFICIAL STATEMENT
relating to

$2,140,000
Mission Bend Municipal Utility District No. 2
(A Political Subdivision of the State of Texas Located in Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Mission Bend Municipal Utility District No. 2 (the "District"), a political subdivision of the State of Texas (the "State"), of its $2,140,000 Unlimited Tax Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Resolution"), Article XVI, Section 59 of the Constitution, and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; bond elections held within the District on April 4, 1981, January 9, 1982 and November 7, 2006; and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

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 c/o Allen Boone Humphries Robinson LLP, Attn: David Oliver, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 or from the District's Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, West Lake Hills, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period" for a description of the District undertaking to provide certain information on a continuing basis.

THE BONDS

General Description

The Bonds will bear interest from the Dated Date, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on March 1, 2019 and each September 1 and March 1 thereafter until maturity and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is The Bank of New York Mellon Trust Company, Dallas, Texas (the "Paying Agent" or "Paying Agent/Registrar").

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Redemption…. The Bonds are not subject to redemption prior to maturity.

Termination of Book-Entry-Only System

The District is initially utilizing the book-entry-only system of DTC ("Book-Entry-Only-System"). See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration. . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may be, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of $5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15th) (whether or not a business day) calendar day of the month preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds . . . If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Resolution relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

At elections held within the District on April 4, 1981; January 9, 1982; and November 7, 2006, the District's voters authorized the issuance of an aggregate principal amount of $45,620,000 of unlimited tax bonds for the acquisition and construction of water, sanitary and drainage facilities and $8,000,000 aggregate principle amount of unlimited tax bonds for the acquisition and construction of park and recreational facilities. To date, the District has issued eight installments of bonds to acquire or construct water, sewer, and drainage facilities in the aggregate principal amount of $32,220,000 and, after the issuance of the Bonds, $13,400,000 in aggregate principle amount will remain authorized but unissued. The District has issued one installment of bonds to acquire park and recreational facilities in the principal amount of $2,790,000 and $5,210,000 remains authorized but unissued for such purposes. On April 3, 1993, voters of the District authorized the issuance of a total of $30,000,000 of bonds payable from taxes to be issued only for the purpose of refunding the District's outstanding debt, of which $24,390,234 remains authorized but unissued.

The Bonds constitute the fourteenth installment of bonds issued by the District. The District has not defaulted in the timely payment of principal of or interest on its Previously Issued Bonds. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6.

The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, the general laws of the State of Texas, including, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ.

Source of and Security for Payment

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing direct annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. 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 against 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 payment 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. The Bond Resolution provides for the termination of the pledge of taxes when and if the City annexes and dissolves the District and assumes all debts and liabilities of the District.

Payment Record

The Bonds constitute the fourteenth installment of bonds issued by the District. The District has not defaulted in the timely payment of principal of or interest on its Previously Issued Bonds. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."

Funds

The Bond Resolution confirms a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart on the books and record of the District from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of the State of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

Debt Service Fund… The Bond Resolution confirms the 1989 Debt Service Fund to be used to pay principal and interest on and Paying Agent fees in respect to the Bonds. The Bond Resolution requires that the District deposit to the credit of the 1989 Debt Service Fund (i) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing accrued interest and twelve months of capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Resolution requires that the 1989 Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to Paying Agent when due.

Capital Projects Fund… The Capital Projects Fund is the capital improvements fund of the District. The Bond Resolution requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Resolution. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as approved by TCEQ, then in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the TCEQ.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar, The Bank of New York Mellon Trust Company, having an office for payment in Dallas, Texas. Any Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Resolution for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

Defeasance of Outstanding Bonds

General . . .The Bond Resolution provides for the defeasance of the Bonds in any manner provided by law.

Record Date

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, as necessary, to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." The District's voters have authorized the issuance of a total of $45,620,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing water, sewer and drainage facilities, of which $13,400,000 will remain authorized but unissued after the issuance of the Bonds. The District's voters also have authorized a total of $30,000,000 principal amount of unlimited tax bonds for refunding purposes, of which $24,390,234 remains authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The Board has approved a park plan and at an election held on November 7, 2006, voters in the District authorized the issuance of $8,000,000 principal amount of unlimited tax bonds for the acquisition and construction of park and recreational facilities, of which $5,210,000 remains authorized but unissued. If the District does issue additional park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, and the issuance of such bonds must be approved by the TCEQ and the Attorney General of Texas.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of the detailed fire plan and bonds for such purposes by the qualified voters in the District; (c) approval of the bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. The Board has not considered developing a fire plan or calling an election at this time for such purposes. Fire protection is currently provided to property in the District by Harris-Fort Bend Counties ESD No. 100.

The District has the right to issue the authorized but unissued bonds without the necessity of further voter authorization. Before issuing any additional bonds for water, sewer and drainage facilities or park and recreational 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 above mentioned 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 contract, provided the provisions of the contract are approved by the voters of the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or 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." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "MUNICIPAL BOND RATINGS."

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

Remedies in Event of Default

If the District defaults in the payment of the principal of or interest on the Bonds when due or in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution, any bondholder shall, in addition to all other rights and remedies of such bondholder provided by the laws of the State, be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body and other officers of the District to make such payment or to observe and perform such covenant, obligation, or condition. No delay or omission by any bondholder to exercise any right or power accruing to such bondholder upon default will impair any such right and power, or be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the bondholders. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the bondholders. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, and a suit for money damages may not be brought without legislative authorization. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the bondholders cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the bondholders may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership" below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership Agreement

In 2003, the District entered into a strategic partnership agreement with the City of Houston pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District was annexed into the City for limited purposes, while the balance of the District remains in the City's extraterritorial jurisdiction. As a result of that agreement, the City imposes a one percent sales and use tax (but not its property taxes) within the area of limited purpose annexation, and remits one-half of the City's sales and use tax receipts from within the District to the District to be used for any lawful District purpose. In addition, for the 30-year term of the agreement, the City agrees not to annex the District for general purposes, thus delaying for at least 30 years from the date of the agreement any dissolution of the District and the assumption of its assets and liabilities by the City. The City and the District may amend the strategic partnership agreement at any time. Funds to be received by the City under the agreement are not pledged to the payment of the Bonds. After the 30-year term, if the District is annexed, the City will assume the District's assets and liabilities (including the Bonds) and dissolve the District within ninety (90) days. Annexation of the territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex and assume its debt, nor does the District make any representation concerning the ability of the City of Houston to pay debt service on the District's bonds if annexation were to occur.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by District facilities. The District would be required to obtain the consent of the City of Houston before adding any land in the City of Houston's extraterritorial jurisdiction or corporate limits. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order dated June 13, 2018 (the "TCEQ Order").

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any registered owners, amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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 DTC while the Bonds are registered in its nominee's 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) 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 (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the design and construction of water, wastewater, and drainage facilities for Terra del Sol Section 5 and Terra del Sol Section 9.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, $1,654,532 is estimated to be required for construction costs, and $485,468 is estimated to be required for non-construction costs, including $53,806 of capitalized interest (approximately twelve months' interest calculated at 2.514278%).

Construction Costs		
A. Developer Contribution Items		
1. Terra Del Sol, Section 5 - W, WW, & D	$	899,165
2. Terra Del Sol, Section 9 - W, WW, & D		449,543
3. Engineering (10.9% of Item Nos. 1 and 2)		305,824
Total Developer Contribution Items	**$**	**1,654,532**
B. District Items		
1. N/A	$	-
Total District Items	**$**	**-**
Total Construction Costs	**$**	**1,654,532**
Non-Construction Costs		
A. Legal Fees (3.0%)	$	64,200
B. Fiscal Agent Fees (2.0%)		42,800
C. Interest		
1. Capitalized Interest[(a)] (12 months @ 2.514278%)		53,806
2. Developer Interest [(a)] (@ 2.514278%)		132,984
D. Bond Discount (2.24%)		47,936
E. Bond Issuance Expenses		43,544
F. Bond Application Report Costs		50,000
G. Attorney General Fee (0.10%)		2,140
H. TCEQ Bond Issuance Fee (0.25%)		5,350
I. Contingency [(b)]		42,708
Total Non-Construction Costs	**$**	**485,468**
TOTAL BOND ISSUE REQUIREMENT	**$**	**2,140,000**

(a) Preliminary; subject to change. The amount of Developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.
(b) Contingency represents the difference in the estimated and actual amount of Capitalized Interest and Bond Discount. The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond funds.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS - Source of and Security for Payment."

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies."

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies.

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and of homebuilders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer under No Obligation to the District: There is no commitment from, or obligation of, the Developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what their future financial condition will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA - Principal Taxpayers."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2017 Certified Assessed Valuation of the District is $406,145,225. After issuance of the Bonds, the Maximum Requirement will be $1,101,318 (2020) and the Average Requirement will be $977,438 (2018 through 2025, inclusive). Assuming (1) no increase or decrease from the 2017 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of $0.29 and $0.26 per $100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's 2018 Preliminary Assessed Valuation is $438,684,413. Based upon the assumptions above, tax rates of $0.27 and $0.24 per $100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

Dependence Upon the Developer, Lot Owners and Homebuilders: The growth of the tax base is dependent upon additional development of lots in the District and the construction of homes thereon. The Developer is under no obligation to continue to market, or improve, or to develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom such party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer' right to sell their land. The District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DEVELOPER."

Undeveloped Acreage . . . Approximately 73.80 acres of developable land within the District had not been provided with water, wastewater and storm drainage and detention facilities as of June 26, 2018. In the opinion of the District's engineer, the remaining authorized but unissued bonds should be sufficient to fund water, sewer and drainage services to all areas now within the District. See "THE BONDS – Alteration of Boundaries" and "THE DISTRICT – Status of Development."

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Recent Extreme Weather Events; Hurricane Harvey

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

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, no homes or other improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest 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 property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Marketability

The District has no understanding with 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

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

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Future Debt

As of June 26, 2018, approximately 617.70 acres of land within the District has been developed with utility facilities. According to information obtained by AECOM Technical Services, Inc., (the “Engineer”), the Developer has advanced approximately $1,695,711 in construction costs plus engineering that will remain owing to the Developer after the issuance of the Bonds.

Therefore, the Developer is owed additional funds with reimbursements expected to be made from the proceeds of future installments of bonds over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.”

The District has reserved in the Bond Resolution the right to issue the remaining authorized but unissued bonds approved by the voters. See “THE BONDS – Authority for Issuance.” All of the remaining unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ.

Governmental Approval

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order dated June 13, 2018 (the “TCEQ Order”). In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

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 Bay 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 June 29, 2015, Texas, along with Louisiana and Mississippi, filed a lawsuit seeking a nationwide stay of the CWR in the United States District Court of the Southern District of Texas. On August 25, 2015, the United States District Court for North Dakota granted a motion for preliminary injunctions that prevents implementation of the CWR in thirteen states. On February 22, 2018, after the United States Supreme Court ruled that federal district courts have proper jurisdiction over the CWR, the Southern District of Texas heard arguments on preliminary relief staying the CWR. On June 11, 2018, the United States District Court for the Southern District of Georgia granted a motion for a preliminary injunction that prevents implementation of the CWR in eleven states.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind 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.

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. On June 15, 2018, the EPA and the USACE sent a proposed "Step 2" rule that would redefine "waters of the United States" to the Office of Management and Budget for interagency review.

On June 30, 2018, the EPA and the USACE issued a supplemental notice of proposed rulemaking to clarify that the agencies are proposing to permanently repeal the 2015 rule in its entirety, and reinstate language in place before 2015 changes while developing a revised definition of "waters of the United States." The proposed rule will be published in the Federal Register and is then subject to a 30-day public comment period prior to final publication.

If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States."

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

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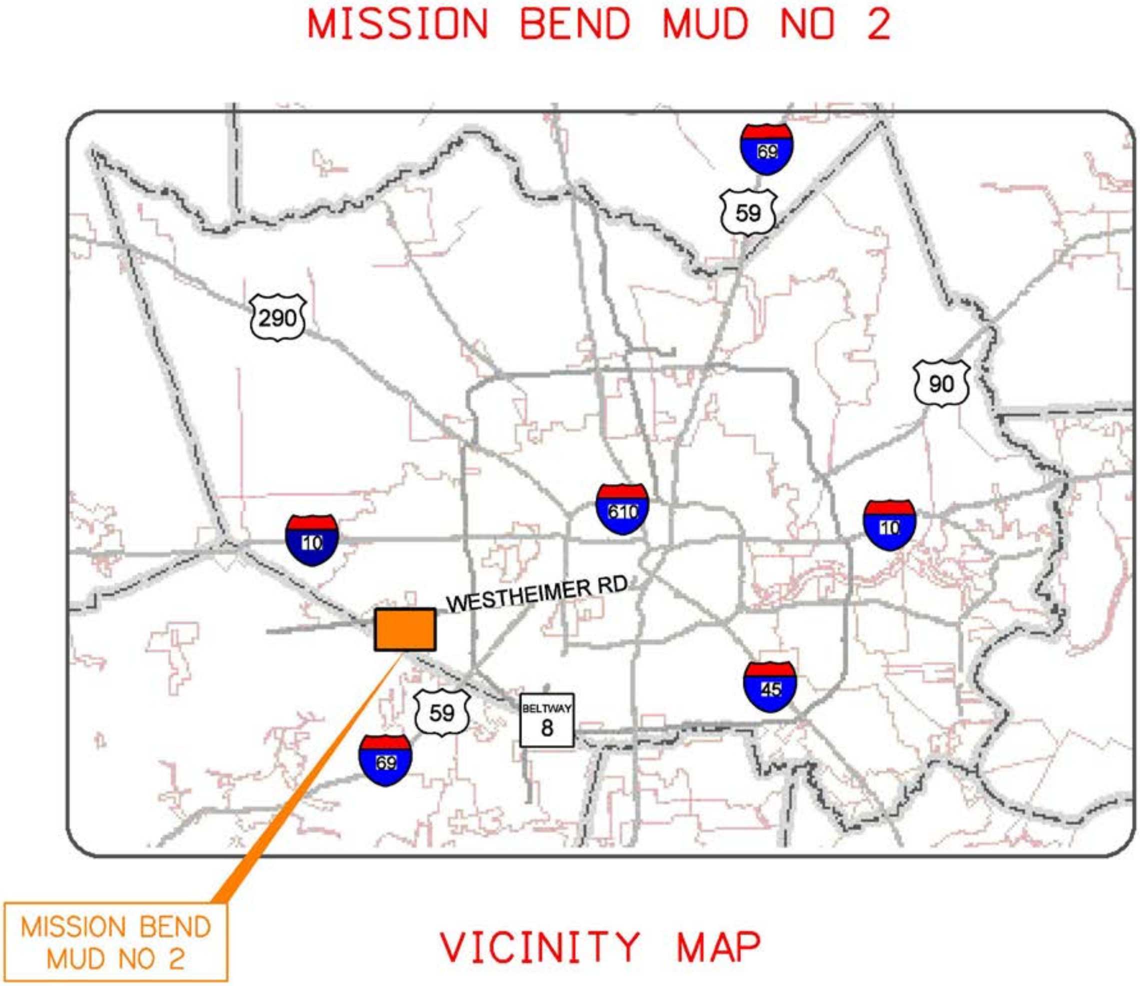
LOCATION MAP



THE DISTRICT

General

The District was created by order of the Texas Water Commission, now known as the TCEQ, adopted on December 13, 1977, and by a confirmation election held within the District on April 1, 1978, and operates as a municipal utility district pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, and other general statues of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, failities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District, the City of Houston, and the TCEQ.

Management

Board of Directors

The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years, with elections held within the District in May in each even-numbered year. All of the directors own property in the District.

Name	Title	Term Expires	Length of Service
Judy Villagomez	President	2020	35 ½ Years
Mary Bertrand	Vice President	2020	23 ½ Years
Marlene Weppler	Secretary	2020	13 Years
Susan Land Johnson	Assistant Vice President	2022	15 ½ Years
Brenda S. Whitehead	Assistant Secretary	2022	7 Years

Consultants

Tax Assessor/Collector

Land and improvements in the District are being appraised by the Harris Central Appraisal District ("HCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. Lina Loaiza of Bob Leared Interests currently serves the District in this capacity under contract. Bob Leared Interests currently serves approximately 151 other utility districts as tax assessor/collector.

Operator

The District's water and sewer system is operated by Si Environmental, LLC (the "Operator"). The Operator serves in this capacity to 74 other special districts.

Engineer

The District's consulting engineer is AECOM Technical Services, Inc. (the "Engineer"). Such firm serves as consulting engineer to 45 other special districts.

Bookkeeper

VLB Bookkeeping Services (the "Bookkeeper") acts as bookkeeper for the District. The Bookkeeper performs similar services for approximately three other districts.

Financial Advisor

Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The Financial Advisor's fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond Counsel and General Counsel

The District has engaged Allen Boone Humphries Robinson LLP, ("ABHR") Houston, Texas, as Bond Counsel and General Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

ABHR also acts as General Counsel to the District on matters not related to the issuance of the Bonds and is compensated based on time charges actually incurred.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., ("MPH") Houston, Texas, as Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

Location

The District contains approximately 738.70 acres of land that lies entirely within the boundaries of the Alief Independent School District. The District is located in southwestern Harris County, approximately 20 miles west of the City of Houston's central business district. Access to the District is provided via Westheimer Road, or IH 10 to State Highway 6 ("SH 6"), via West Park Toll Road to Highway 6 or via U.S. 59 (the Southwest Freeway) to Bellaire Boulevard, which bisects the District from east to west. The District is bounded on the north by Alief-Clodine Road, and portions of the District are located on either side of SH 6.

The District lies within the 2,500 acre mixed-use development known as Mission Bend ("Mission Bend"). The District serves land within Mission Bend along with the three (3) other municipal utility districts named in the chart below. The following chart reflects each district's acreage and active number of water and sewer connections as of March 8, 2018:

		Number of Active Connections				
District	Acreage	Single Family	Multi-Family Units	Commercial & Other	Estimated Population	
Mission Bend Municipal Utility District No. 1	659.50	1,987	-	92	6,955	
Mission Bend Municipal Utility District No. 2	738.70	878	2,654	239	9,708	(a)
Chelford City Municipal Utility District	704.90	2,802	-	55	9,807	
Chelford One Municipal Utility District	437.60	1,228	312	42	5,078	
TOTAL	**2,540.70**	**6,895**	**2,966**	**428**	**31,548**	

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(a) Based on 3.5 residents per active single-family complete and occupied connection and 2.5 residents per occupied multi-family unit. See "THE DISTRICT – Current Status of Development – Multi-Family" for current apartment occupancy rates.

Historical and Current Status of Development

The District was created by order of the Texas Water Commission, now known as the TCEQ, adopted on December 13, 1977, and by a confirmation election held within the District on April 1, 1978, and operates as a municipal utility district pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to continuing supervision of the TCEQ.

The District as originally created contained approximately 609.41 acres. On December 6, 1978, 33.11 acres were annexed, on December 28, 1978 an additional 44.73 acres were annexed, on January 20, 1980, an additional 49.95 acres were annexed, and on November 25, 1980, an additional 1.51 acres were annexed, bringing the total acreage of the District to approximately 738.70 acres. The District contains approximately 73.80 undeveloped but developable acres. If the undeveloped acreage is eventually developed, additions to the District's water, sewer, and drainage systems required to service such property may be financed by future issues of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the $13,400,000 principal amount of authorized unlimited tax bonds which remain unissued will be sufficient to provide water, sewer, and drainage facilities to the remaining undeveloped but developable acres within the District. See "THE BONDS – Issuance of Additional Debt." However, the District makes no representation that any future development will occur.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District, the City of Houston, and the TCEQ.

As of June 26, 2018, existing residential development within the District consisted of approximately 916 developed single-family lots in the residential subdivisions of Altamira, Beechnut Meadows and Terra de Sol, on which there were 908 completed homes, 8 homes under construction and no vacant lots. Additionally, there were six multi-family projects which contained approximately 2,654 units.

In addition to the aforementioned, development within the District as of June 26, 2018, included four large retail stores (Sugarland Furniture, H-E-B grocery store, Fiesta grocery store, and one vacant property formerly occupied by Target), one office building (AT&T – 160,000 square feet), eight strip shopping centers, three banks, an automobile dealership and surrounding auto repair shops, twelve fast food establishment, fifteen restaurants, three gas stations, two laundromats, two self-storage companies and various other retail and commercial establishments. As of June 26, 2018, the commercial improvements included nationally recognized chain stores such as: Walgreens, Public Storage, Dairy Queen, Sonic, McDonald's, Brake Check, Auto Zone, KFC, NTW, Jiffy Lube, Little Caesar's, Luby's Cafeteria, Jack-in-the-Box, Denny's Restaurant, Chick-fil-A, IHOP Restaurant, and Ryan's Steakhouse. The District also includes two Alief ISD schools, four religious academy schools, four churches and a YMCA, all of which are exempt from ad valorem taxation.

The following chart reflects the status of development as of June 26, 2018:

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
Altamira, Section 1	78.70	301	301	-	-
Beechnut Meadows	11.70	96	96	-	-
Terra del Sol, Section 3	8.80	64	64	-	-
Terra del Sol, Section 4	30.70	213	213	-	-
Terra del Sol, Section 5	20.10	144	144	-	-
Terra del Sol, Section 9	14.60	98	90	8	-
Total Single Family Developed with Utilities	**164.60**	**916**	**908**	**8**	**-**
B. Multi-Family	**140.00**				
C. Commercial/Retail	**230.60**				
D. Other[(a)]	**82.50**				
E. Remaining Developable	**73.80**				
F. Undevelopable Acreage					
Streets	13.90				
Detention Ponds	33.30				
Total Undevelopable Acreage	**47.20**				
Total District Acreage	**738.70**				

(a) Includes Alief ISD, Community Church, and YMCA, which are axempt from ad valorem taxation.

Multi-Family

The following chart reflects the current multi-family complexes and occupancy rates within the District as of April 23, 2018:

Complex Name	Number of Units	Approximate % Occupied as of 4/23/2018
El Sol del Rio Apartments	424	100%
El Sol Brillante Apartments	806	96%
Woodbridge Crossing Apartments	384	87%
Sedona Apartments (formerly Pavilion Glen Apartments)	488	93%
Park Village Apartments	312	94%
Matthew Ridge Apartments	240	99%
Total	**2,654**	

Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect the ability to sell lots and/or property and of any homebuilder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the water, sewer, and drainage system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the $13,370,000 remaining principal amount of voted water, sewer, and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. See "THE BONDS – Issuance of Additional Debt." The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

THE DEVELOPER

Role of Developer

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders or other developers. Ordinarily, a developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocated portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which a developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developer

The Developer currently active within the District is K. Hovnanian of Houston II, LLC, a Texas limited liability company, which is a wholly owned entity of Hovnanian Enterprises, Inc., a publicly traded company.

The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer' financial condition is subject to change at any time.

Homebuilder within the District

According to the Developer, the only homebuilder active within the District is K. Hovnanian Homes. The homes range in price from approximately $254,950 to $264,950, with square footage ranging from 1,990 to 2,220.

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which will be permanently financed by the District with the proceeds of the new money bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Harris County, and the City of Houston. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the US Environmental Protection Agency and the TCEQ. The rules and regulations promulgated by these agencies change periodically and are subject to further development and revision. The TCEQ makes annual inspections of the water and wastewater systems to assure compliance with their rules.

Water Supply and Distribution

The District is served by two water plants. The first plant includes a 1,500 gallons per minute ("gpm") well and pump, a 500,000 gallon storage tank, one 20,000 gallon pressure tank, 3 booster pumps with total capacity of 3,250 gpm, and related facilities. The District's second water plant includes a 2,500 gpm well, 3 booster pumps totaling 3,600 gpm capacity, two 300,000 gallon storage tanks, one 12,000 gallon pressure tank and related facilities. The District is part of the Mission Bend Utility District Integrated Water System which includes the District, Mission Bend Municipal Utility District No. 1, Chelford City Municipal Utility District, and Chelford One Municipal Utility District. An elevated storage tank with 2.0 million gallons storage capacity has been constructed for the benefit of the District, Mission Bend Municipal Utility District No. 1, Chelford City Municipal Utility District, and Chelford One Municipal Utility District. According the Engineer, the District's water supply facilities are adequate to serve the District at full development under present land use projections.

Subsidence and Conversion to Surface Water Supply

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

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

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

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

Wastewater Collection and Treatment

Permanent wastewater treatment for the District is provided by the Chelford City Regional Wastewater Treatment Facility (the "Regional Facility"), which has a capacity of 11.0 million gallons per day ("gpd"). The District's share of capacity in the Regional Facility is 2,492,643 gpd which, according to the Engineer, should be sufficient to serve the District at full development under present land use projections.

Storm Drainage

The storm drainage system that serves the District consists of curb and guttered streets and storm sewers. The collected storm water runoff is routed through detention and water quality ponds, thence into tributaries of Brushy Creek and ultimately to the Brazos River.

100-Year Flood Plain

Flood Insurance Rate Map ("FIRM") means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year floodplain, is depicted on these maps. The "100-year floodplain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year floodplain in order to meet local regulatory requirements and to be eligible for federal flood insurance.

An engineering or regulatory determination that an area is above the 100-year floodplain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year floodplain have flooded multiple times in the last several years.

According to U.S.G.S. topographic maps and Federal Insurance Administration ("FIA") map, approximately 178 acres of developed land located in Altamira, Section One and Presidio Square are located in the 100-year floodplain, which has increased the cost of constructing taxable improvements in such areas. With the exception of an approximately one-acre tract, all of the land within the 100-year floodplain has been developed with residential and commercial improvements.

Water, Wastewater and Drainage Operations - Rate and Fee Schedule - Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District's water and sewer service which were effective as of September 30, 2017:

<u>Water (monthly billings)</u>

Residential (Single-Family):
First 10,000 gallons of water used... $12.00 (minimum)
In excess of 10,000 gallons of water used .... $0.80 per 1,000 gallons

Residential (Multi-Family):
First 10,000 gallons of water used...$12.00 (minimum)
In excess of 10,000 gallons of water used ....$0.80 per 1,000 gallons

Commercial:
First 10,000 gallons of water used... $15.00 (minimum)
In excess of 10,000 gallons of water used .... $0.80 per 1,000 gallons

All users:
West Harris County Regional Water Authority pumpage fee .... $2.45 per 1,000 gallons
(110% of the $2.45 per 1,000 gallons pumpage fee assessed to the District by the WHCRWA)

<u>Sewer (monthly billings)</u>

Residential (Single-Family):
Flat Rate .... $12.00 (minimum)

Residential (Multi-Family):
First 10,000 gallons per unit.. $12.00 (minimum)
In excess of 10,000 gallons per unit .... $0.80per 1,000 gallons

Commercial:
First 10,000 gallons per unit.. $12.00 (minimum)
In excess of 10,000 gallons per unit .... $0.80 per 1,000 gallons

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Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "Appendix A – Audited Financial Statements."

	Fiscal Year End					
	3/30/2018[(a)]	**9/30/2017[(b)]**	**9/30/2016[(b)]**	**9/30/2015[(b)]**	**9/30/2014[(b)]**	**9/30/2013[(b)]**
REVENUES						
Property taxes	$ 1,852,385	$ 1,440,690	$ 1,378,092	$ 1,161,802	$ 981,004	$ 968,070
Sales Tax Receipts	171,900	349,203	361,205	350,616	328,930	299,773
Water Service	323,000	643,485	624,327	619,898	604,503	670,019
Wastewater Service	261,441	530,955	516,496	514,652	505,593	531,976
Regional Water Authority Fee	543,264	1,000,809	912,651	859,861	779,120	725,539
Penalty and Interest	18,225	26,354	24,757	27,019	49,516	22,862
Tap Connection and Inspection Fees	31,384	160,805	185,500	104,108	118,034	50,425
Investment Revenues	8,000	28,690	20,912	4,961	4,264	4,678
Miscellaneous Revenues	502	18,537	18,666	18,213	44,552	7,664
TOTAL REVENUES	**$ 3,210,101**	**$ 4,199,528**	**$ 4,042,606**	**$ 3,661,130**	**$ 3,415,516**	**$ 3,281,006**
EXPENDITURES						
Professional Fees	$ 216,508	$ 257,554	$ 230,634	$ 152,912	$ 154,853	$ 174,890
Contracted Services	108,714	373,624	373,595	367,605	357,713	342,688
Purchased Wastewater Service	373,571	743,694	511,007	664,021	615,701	854,385
Utilities	14,902	168,094	195,102	189,997	170,024	199,114
Repair and Maintenance	175,004	439,830	331,272	441,325	437,500	513,559
Regional Water Authority Assessments	534,787	1,015,302	924,126	920,495	792,122	824,332
Parks and Recreation	100,610	215,521	261,181	169,768	158,074	112,522
Other	185,202	285,844	264,510	237,900	275,523	186,154
Capital Outlay	100,073	180,899	187,648	1,471,970	295,902	1,093,786
Bond Issuance Costs	27,644	30,144	5,381	-	-	-
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	**$ 1,837,015**	**$ 3,710,506**	**$ 3,284,456**	**$ 4,615,993**	**$ 3,257,412**	**$ 4,301,430**
NET REVENUES (DEFICIT)	**$ 1,373,086**	**$ 489,022**	**$ 758,150**	**$ (954,863)**	**$ 158,104**	**$ (1,020,424)**
Beginning Fund Balance	**$ 5,282,461**	**$ 4,149,944**	**$ 3,391,794**	**$ 4,346,657**	**$ 3,270,288**	**$ 4,290,712**
Plus / (Less): Fund Transfers	$ -	643,495	-	-	918,265	-
Ending Fund Balance	**$ 6,655,547**	**$ 5,282,461**	**$ 4,149,944**	**$ 3,391,794**	**$ 4,346,657**	**$ 3,270,288**

(a) Unaudited as of March 30, 3018; represents six months of the District's current fiscal year.
(b) Audited.

DEBT SERVICE REQUIREMENTS – TABLE 3

Year	Outstanding Bonds				The Bonds					Total
Ending	Principal	Interest			Principal	Interest			Principal	Debt Service
31-Dec	Due (09/01)	Due (03/01)	Due (09/01)	Total	(Due 9/01)	(Due 3/01)	(Due 9/01)	Total	and Interest	Requirements
2018	$ 865,000	$ 80,272	$ 80,272	$ 1,025,544	$ -	$ -	$ -	$ -	$ -	$ 1,025,544
2019	910,000	68,656	68,656	1,047,313	5,000	23,067	21,969	45,036	50,036	1,097,348
2020	945,000	53,740	53,740	1,052,480	5,000	21,919	21,919	43,838	48,838	1,101,318
2021	460,000	38,060	38,060	536,120	400,000	21,869	21,869	43,738	443,738	979,858
2022	385,000	29,423	29,423	443,845	410,000	17,869	17,869	35,738	445,738	889,583
2023	400,000	22,878	22,878	445,755	425,000	13,769	13,769	27,538	452,538	898,293
2024	420,000	15,878	15,878	451,755	440,000	9,519	9,519	19,038	459,038	910,793
2025	435,000	8,265	8,265	451,530	455,000	5,119	5,119	10,238	465,238	916,768
	$ 4,820,000	$ 317,171	$ 317,171	$ 5,454,341	$ 2,140,000	$ 113,130	$ 112,031	$ 225,161	$ 2,365,161	$ 7,819,502

FINANCIAL STATEMENT
(Unaudited)

Assessed Value – Table 4

2017 Certified Assessed Valuation		$406,145,225	(a)
2018 Preliminary Assessed Valuation		$438,684,413	(b)
Gross Debt Outstanding (after issuance of the Bonds)		$ 6,960,000	(c)
Ratio of Gross Debt to 2017 Certified Assessed Valuation		1.71%	
Ratio of Gross Debt to 2018 Preliminary Assessed Valuation		1.59%	
2017 Tax Rate			
Debt Service	$ 0.2480		
Maintenance	0.4205		
Total 2017 Tax Rate		$ 0.6685	(d)
Debt Service Fund Balance (as of June 19, 2018)		$ 1,082,302	(e)

Area of District: 549.02 acres
Estimated Population as of June 26, 2018: 3,826[f]

(a) The certified assessed valuation as of January 1, 2017, as provided by HCAD. See "TAXING PROCEDURES."
(b) The preliminary assessed valuation as of January 1, 2018, as provided by HCAD is included solely for purposes of illustration. No taxes will be levied on this assessed valuation unless it is certified by HCAD. See "TAXING PROCEDURES."
(c) Includes the Bonds.
(d) The District levied a 2017 tax rate of $0.6685. See "TAXING PROCEDURES."
(e) Unaudited as of June 19, 2018. Does not include twelve months' capitalized interest ($53,806) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.
(f) Based on 3.5 residents per active single-family complete and occupied connection and 2.5 residents per occupied apartment unit. Of the 2,654 total apartment units, 2,517 units are currently occupied. See "THE DISTRICT - Current Status of Development – *Multi-Family*" for current apartment occupancy rates.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
04/04/1981	Water, Sewer & Drainage	$20,450,000	$20,450,000	-
01/09/1982	Water, Sewer & Drainage	14,035,000	11,770,000 (a)	2,265,000
11/07/2006	Water, Sewer & Drainage	11,135,000	-	11,135,000
Total		$45,620,000	$32,220,000	$13,400,000

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
04/03/1993	Refunding	$30,000,000	$5,609,766	$24,390,234
Total		$30,000,000	$5,609,766	$24,390,234

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/07/2006	Parks & Recreational Facilities	$8,000,000	$2,790,000	$5,210,000
Total		$8,000,000	$2,790,000	$5,210,000

(a) Includes the Bonds.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds	
A. New Money Bonds					
06/01/82	Water, Wastewater and Drainage	1982	$ 5,370,000	$ -	
06/01/83	Water, Wastewater and Drainage	1983	4,425,000	-	
06/01/85	Water, Wastewater and Drainage	1985	10,750,000	-	
08/01/98	Water, Wastewater and Drainage	1998	1,820,000	-	
02/01/04	Water, Wastewater and Drainage	2004	4,455,000	-	
03/01/08	Water, Wastewater and Drainage	2008	1,520,000	550,000	
12/01/11	Water, Wastewater and Drainage	2011	1,740,000	1,680,000	
08/22/18	Water, Wastewater and Drainage	2018	2,140,000	2,140,000	(a)
	Subtotal New Money Bonds		**$ 32,220,000**	**$ 4,370,000**	
B. Refunding Bonds					
04/01/89	Refunding	1989	$ 3,800,000	$ -	
07/01/93	Refunding	1993	10,775,887	-	
09/01/97	Refunding	1997	4,265,979	-	
12/01/02	Refunding	2002	8,480,000	-	
03/01/12	Refunding	2012	3,230,000	1,425,000	
	Subtotal Refunding Bonds		**$ 30,551,866**	**$ 1,425,000**	
C. Park and Recreational Bonds					
07/01/10	Parks and Recreation	2010	$ 2,790,000	$ 1,165,000	
	Subtotal Park and Recreational Bonds		**$ 2,790,000**	**$ 1,165,000**	
	Total		**$ 65,561,866**	**$ 6,960,000**	

(a) The Bonds.

Cash and Investment Balances - Table 7[(a)]

General Fund	$ 4,971,334	
Debt Service Fund	1,082,302	(b)
Capital Projects Fund	1,391	

(a) Unaudited as of June 19, 2018.

(b) Does not include twelve months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.

Investment Authority and Investment Practices of the District

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

Current Investments - Table 8

The District, as of June 19, 2018, was invested in TexPool. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

	Investment Value as of June 19, 2018	
Cash	$	34,914
Money Market		21,725
TexPool		3,375,031
CDs		2,623,359
Total Investments	**$**	**6,055,028**

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 several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. 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 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 be determined. Political subdivision 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 of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

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Taxing Body	Total Tax Supported Debt Amount		As of	% of Overlapping Net Debt	Amount of Overlapping Net Debt	
Alief Independent School District	$	254,187,000	6/30/2018	2.670%	$	6,786,793
Harris County		2,208,674,361	6/30/2018	0.090%		1,987,807
Harris County Flood Control		83,075,000	6/30/2018	0.090%		74,768
Harris County Hospital District		59,490,000	6/30/2018	0.090%		53,541
Harris County Department of Education		6,555,000	6/30/2018	0.090%		5,900
Harris-Fort Bend Counties ESD #100		-	6/30/2018	0.090%		-
Harris County Toll Road[(a)]		-	6/30/2018	0.090%		-
Houton County Community College		580,635,000	6/30/2018	0.190%		1,103,207
Port of Houston Authority		638,829,397	6/30/2018	0.090%		574,946
TOTAL ESTIMATED OVERLAPPING NET DEBT					**$**	**10,586,961**
The District[(b)]	$	6,960,000	8/22/2018	100.00%	$	6,960,000
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT					**$**	**17,546,961**
Ratio of Direct and Estimated Overlapping Debt to 2017 Certified Assessed Valuation						**4.32%**
Ratio of Direct and Estimated Overlapping Debt to 2018 Preliminary Assessed Valuation						**4.00%**

(a) Taxing jurisdiction with no outstanding debt due to self-supporting Toll Road System.
(b) Includes the Bonds.

Overlapping Taxes for 2017

Overlapping Entity	$100 Assessed Valuation Harris County	Average Tax Bill[(a)] Harris County
Alief Independent School District	$1.330000	$ 1,848
Harris County	0.418010	581
Harris County Flood Control	0.028310	39
Harris County Hospital District	0.171100	238
Harris County Department of Education	0.005195	7
Harris-Fort Bend Counties ESD #100	0.070580	98
Houston Community College System	0.100263	139
Port of Houston Authority	0.012560	17
The District	0.668500	929
Total	**$2.804518**	**$ 3,897**

(a) Based upon the 2017 average single-family home value of $138,960 as provided by HCAD.

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TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2017[(a)] Amount	2017[(a)] %	2016[(a)] Amount	2016[(a)] %	2015[(a)] Amount	2015[(a)] %
Single Family Residential	$ 118,977,397	29.29%	$ 87,825,717	23.83%	$ 77,779,604	23.86%
Multi-Family	96,843,043	23.84%	95,981,004	26.05%	78,784,178	24.17%
Commercial and Industrial Real	174,352,569	42.93%	143,333,770	38.90%	135,448,079	41.55%
Personal	1,296,007	0.32%	24,828,737	6.74%	18,619,444	5.71%
Acreage	639,791	0.16%	1,275,158	0.35%	3,157,996	0.97%
Vacant Lots	14,036,418	3.46%	15,249,505	4.14%	12,179,852	3.74%
Total	**$406,145,225**	**100.00%**	**$368,493,891**	**100.00%**	**$325,969,153**	**100.00%**

(b) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

Tax Collections - Table 10

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Year	Assessed Valuation[(a)]	Tax Rate	Tax Levy	Current Amount	Current %	Total Amount	Total %	Year Ending
1997	187,443,000	1.2900	2,346,520	2,345,569	99.96%	$ 2,345,569	99.96%	9/30/1998 (b)
1998	187,747,710	1.2950	2,428,343	2,426,623	99.93%	2,426,623	99.93%	9/30/1999 (b)
1999	190,528,570	1.2400	2,359,678	2,358,294	99.94%	2,358,294	99.94%	9/30/2000 (b)
2000	199,586,830	1.2200	2,425,448	2,422,804	99.89%	2,422,804	99.89%	9/30/2001 (b)
2001	213,792,420	1.2200	2,599,342	2,596,267	99.88%	2,596,267	99.88%	9/30/2002 (b)
2002	216,926,020	1.1700	2,535,614	2,520,806	99.42%	2,520,806	99.42%	9/30/2003 (b)
2003	216,541,660	1.0700	2,316,505	2,310,004	99.72%	2,310,004	99.72%	9/30/2004 (b)
2004	230,578,780	0.9700	2,236,442	2,228,956	99.67%	2,228,956	99.67%	9/30/2005 (b)
2005	244,481,703	0.9340	2,283,113	2,277,659	99.76%	2,277,659	99.76%	9/30/2006 (b)
2006	242,032,232	0.9340	2,260,270	2,250,947	99.59%	2,250,947	99.59%	9/30/2007 (b)
2007	264,616,374	0.9000	2,387,376	2,380,260	99.70%	2,380,260	99.70%	9/30/2008 (b)
2008	289,255,821	0.9000	2,608,725	2,602,025	99.74%	2,602,025	99.74%	9/30/2009 (b)
2009	276,830,352	0.9000	2,497,833	2,491,521	99.75%	2,491,521	99.75%	9/30/2010 (b)
2010	257,510,372	0.8500	2,192,267	2,183,109	99.58%	2,183,109	99.58%	9/30/2011 (b)
2011	251,238,972	0.8500	2,125,352	2,118,468	99.68%	2,118,468	99.68%	9/30/2012 (b)
2012	251,733,151	0.8500	2,129,383	2,123,432	99.72%	2,123,432	99.72%	9/30/2013 (b)
2013	259,545,050	0.8500	2,206,133	2,194,319	99.46%	2,194,319	99.46%	9/30/2014 (b)
2014	277,763,149	0.8400	2,333,210	2,311,069	99.05%	2,311,069	99.05%	9/30/2015 (b)
2015	325,969,153	0.7970	2,597,974	2,560,064	98.54%	2,560,064	98.54%	9/30/2016 (b)
2016	368,493,891	0.7500	2,763,706	2,712,994	98.17%	2,712,994	98.17%	9/30/2017 (b)
2017	406,145,225	0.6685	2,715,081	2,657,919	97.89%	2,657,919	97.89%	9/30/2018 (c)

(a) Assessed Valuation refects the adjusted value at September 30th of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited as of May 15, 2018. Taxes were due with no penalty by January 31, 2018.

District Tax Rates - Table 11

	Tax Rates per $100 Assessed Valuaton									
	2017		2016		2015		2014		2013	
Debt Service	$	0.2480	$	0.3525	$	0.3680	$	0.4205	$	0.4647
Maintenance		0.4205		0.3975		0.4290		0.4195		0.3853
Total	**$**	**0.6685**	**$**	**0.7500**	**$**	**0.7970**	**$**	**0.8400**	**$**	**0.8500**

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 7, 2006, voters within the District authorized a maintenance tax not to exceed $1.50/$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2017 maintenance and operation tax of $0.4205/$100 assessed valuation. See "THE DISTRICT – General."

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by HCAD based on the 2017, 2016, and 2015 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Name	Type of Property	2017[a]	2016[a]	2015[a]
Rama Elite LLC Et Al	Apartments	$ 28,477,772	$ 28,481,167	$ 20,136,372
Guardian FP LLC	Apartments	21,010,660	19,733,000	(b)
LF2 Predisio LP	Grocery Store	18,258,401	17,707,000	13,084,237
JSN Apartments LLC	Apartments	13,925,000	16,370,818	(b)
JK 14500 Empanada LLC	Apartments	14,904,943	14,520,374	12,712,941
WTXH Properties LLC	Real Estate	10,697,029	(b)	(b)
SBC Communication	Telephone Utility	9,000,000	9,285,000	10,766,759
VDC Matthew Ridge Ltd.	Apartments	7,827,639	7,887,000	7,792,083
Public Storage Inc.	Storage Units	4,610,519	7,248,617	6,385,909
Saga Development LLC	Real Estate	7,072,000	7,119,800	5,309,159
2ML Real Estate Interests Inc.	Real Estate	4,595,068	5,001,768	(b)
Guardian 14402 Pavilion	Apartments	(b)	(b)	18,900,000
Rio Bonito Holdings LP	Apartments	(b)	(b)	10,787,943
Fiesta Mart Inc.	Grocery Store	1,796,048	(b)	6,495,790
Total		$ 142,175,079	$ 133,354,544	$ 112,371,193
Percent of Certified Assessed Valuation		35.01%	36.19%	34.47%
Percent of 2018 Preliminary Assessed Valuation		32.41%		

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.
(b) Not a principal taxpayer in respective year.

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Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2017 Certified Assessed Valuation and the 2018 Preliminary Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds (at an interest rate of 2.514278% per annum). No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Requirement on the Bonds (2018 through 2025)	$977,438
$0.26 Tax Rate on 2017 Certified Assessed Valuation of $406,145,225 @ 95% collections produces	$1,003,179
$0.24 Tax Rate on 2018 Preliminary Assessed Valuation of $438,684,413 @ 95% collections produces	$1,000,200
Maximum Requirement on the Bonds (2020)	$1,101,318
$0.29 Tax Rate on 2017 Certified Assessed Valuation of $406,145,225 @ 95% collections produces	$1,118,930
$0.27 Tax Rate on 2018 Preliminary Assessed Valuation of $438,684,413 @ 95% collections produces	$1,125,226

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/18		$1,025,544[(a)]
Audited Debt Service Fund Balance as of 9/30/17	344,621[b)]	
Capitalized Interest included in Bond proceeds	53,806[(c)]	
2017 Tax Levy @ 95% collections produces	966,748[d)]	
Total Available for Debt Service		$1,365,175
Projected Debt Service Fund Balance as of December 1, 2018		$339,631

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(a) First Interest Payment is March 1, 2019.

(b) Audited. Represents debt service fund balance after all 2017 debt service requirements have been paid.

(c) Preliminary; subject to change. Represents approximately one year of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.

(d) The District levied a 2017 debt service tax rate of $0.2480.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, its other remaining outstanding bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an 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, if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County Wide Appraisal District

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

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

Property Subject to Taxation by the District

General**:** Except for certain exemptions provided by State 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; however, no effort is expected to be made by HCAD to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than $500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a $3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between $5,000 and $12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also, partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than $3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by June 1. The District has adopted a general homestead exemption in the amount of 20% of the appraised value (but not less than $5,000) of the residence homesteads of married or unmarried adults, including one living alone, pursuant to Article VIII, Section 1b(e) of the Texas Constitution and an exemption from ad valorem taxation by the District of $50,000 of the appraised value of residence homesteads of individuals who are disabled, or are sixty-five years of age or older, as authorized by Article VIII, Section 1-b(b) of the Texas Constitution. No person may claim both exemptions, but a person qualifying for both may choose the exemption that he or she wishes to have applied to his or her property.

Tax Abatement: Harris County and the District may enter into tax abatement agreements with owners of real property. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Freeport Goods and Goods-in-Transit Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only is such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in- transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has not taken action to tax goods-in-transit.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in HCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by HCAD 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 HCAD chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

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 and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates 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 on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT -

Overlapping Taxes for 2017". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, 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 (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General - Tax Collections and Foreclosure Remedies."

Reappraisal of Property after Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District did not adopt an order regarding the reappraisal of property.

Effect of FIRREA on Tax Collections

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property taxes when due and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified 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 annual ad valorem tax levied by the District, without 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 “Payment Record” and “DTC Redemption Provisions”), THE DISTRICT – General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE INFORMATION” (except for information under the subheading “Compliance with Prior Undertakings”) solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has 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.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the 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 from that set forth or contemplated in the Official Statement.

TAX MATTERS

Opinion

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal 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 (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 District has covenanted in the Bond Resolution that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of the 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 IRS. 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 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 to 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 Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgement 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 Underwriter 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 of 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 this 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 issue 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 other than qualified 5601(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 has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and the 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 the exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2018. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements when the audit report becomes available.

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

Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

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 over information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT.” The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

> “THE DISTRICT” and "THE SYSTEM" – AECOM Technical Services, Inc. (“District Engineer”); “THE DEVELOPER” – K. Hovnanian of Houston II, LLC; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Harris Central Appraisal District; "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM - Water and Wastewater Operations" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS" (except “Payment Record”), "TAXING PROCEDURES," “LEGAL MATTERS,” "TAX MATTERS," and “CONTINUING DISCLOSURE OF INFORMATION” - Allen Boone Humphries Robinson LLP

Consultants

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

> The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the Engineer, and has been included in reliance upon the authority of said firm in the field of civil engineering.
>
> Auditor: The District's financial statements for fiscal year ending September 30, 2017 were audited by McCall Gibson Swedlund Barfoot PLLC, Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2017 have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

Updating the Official Statement during Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity 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, description 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. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

Annual Audits

Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bond outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any Registered Owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Mission Bend Municipal Utility District No. 2, as of the date shown on the first page hereof.

/s/Judy Villagomez
President, Board of Directors
Mission Bend Municipal Utility District No. 2

/s/Marlene Weppler
Secretary, Board of Directors
Mission Bend Municipal Utility District No. 2

PHOTOGRAPHS

The following photographs were taken in the District as of June 10, 2018. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."


THEATRE
PARKING
BUS LOOP
BUSES
ONLY
Preparing for Our Future
Alief
Coming Soon:
Kerr
High School
Fine Arts
Addition
2015-2021 Bond Referendum Construction Project Cost: $14,200,000
Completion: August 2017
Architects: IBI Group
Made possible with support from Alief ISD voters


the Y


SEDONA
SPEED LIMIT
30


Woodbridge
Crossing


TERRA
DEL SOL


DRYline


H-E-B

APPENDIX A
Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of Mission Bend Municipal Utility District No. 2 for the fiscal year ended September 30, 2017. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2017

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mission Bend Municipal
Utility District No. 2
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Mission Bend Municipal Utility District No. 2 (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.

Board of Directors
Mission Bend Municipal
Utility District No. 2

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 22, 2018

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Management's discussion and analysis of Mission Bend Municipal Utility District No. 2'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 collecting

FUND FINANCIAL STATEMENTS (Continued)

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 financial 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 the 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"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $14,050,885 as of September 30, 2017.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	$ 6,723,527	$ 6,118,673	$ 604,854
Capital Assets (Net of Accumulated Depreciation)	14,542,664	14,679,720	(137,056)
Total Assets	$ 21,266,191	$ 20,798,393	$ 467,798
Deferred Outflows of Resources	$ 47,870	$ 70,091	$ (22,221)
Long-Term Liabilities	$ 3,946,694	$ 4,814,611	$ 867,917
Other Liabilities	3,316,482	2,919,313	(397,169)
Total Liabilities	$ 7,263,176	$ 7,733,924	$ 470,748
Net Position:			
Net Investment in Capital Assets	$ 8,045,745	$ 8,172,835	$ (127,090)
Restricted	642,258	733,348	(91,090)
Unrestricted	5,362,882	4,228,377	1,134,505
Total Net Position	$ 14,050,885	$ 13,134,560	$ 916,325

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

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,728,799	$ 2,584,721	$ 144,078
Sales Tax Receipts	349,203	361,205	(12,002)
Charges for Services	2,420,810	2,326,035	94,775
Other Revenues	55,868	44,346	11,522
Total Revenues	$ 5,554,680	$ 5,316,307	$ 238,373
Expenses for Services	(4,638,355)	(4,157,034)	(481,321)
Change in Net Position	$ 916,325	$ 1,159,273	$ (242,948)
Net Position, Beginning of Year	13,134,560	11,975,287	1,159,273
Net Position, End of Year	$ 14,050,885	$ 13,134,560	$ 916,325

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2017, were $5,606,061, an increase of $492,725 from the prior year.

The General Fund fund balance increased by $1,132,517, primarily due to service and tax revenues exceeding operating expenditures and capital improvements.

The Debt Service Fund fund balance increased by $1,688, primarily due to the structure of the District's outstanding long-term debt.

The Capital Projects Fund fund balance decreased by $641,480, primarily due to a transfer of surplus funds to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $504,748 more than budgeted revenues. Actual expenditures were $253,997 more than budgeted expenditures primarily due to higher than expected costs for repairs and maintenance and regional water authority assessments.

CAPITAL ASSETS

Capital assets as of September 30, 2017, total $14,542,664 (net of accumulated depreciation) and include land, buildings and equipment as well as water, wastewater and drainage systems, park facilities and trails.

Significant capital asset events during the current fiscal year included the following:

Completed Projects/Purchases:

- Little Villa Wetland Park Improvements
- Water Plants #1 and #2 and Lift Station Improvements
- Water, Wastewater and Drainage facilities to serve Terra del Sol, Section 9

Construction in Progress:

- Design of Greenbelt Trail Improvements

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation

	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,053,874	$ 1,053,874	$
Construction in Progress	7,856	3,156,952	(3,149,096)
Capital Assets, Net of Accumulated Depreciation:			
Amenities	3,458,840	2,097,165	1,361,675
Water System	4,391,821	3,208,300	1,183,521
Wastewater System	2,672,185	2,222,172	450,013
Drainage System	1,515,172	1,332,242	182,930
Investment in Wastewater Treatment Plant	1,442,916	1,609,015	(166,099)
Total Net Capital Assets	$ 14,542,664	$ 14,679,720	$ (137,056)

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

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total of long-term debt payable of $4,820,000. 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	$ 5,895,000
Less: Bond Principal Paid	1,075,000
Bond Debt Payable, September 30, 2017	$ 4,820,000

The Series 2008 and 2010 bonds carry an underlying rating of "Baa2" and "A2/A-", respectively. The Series 2011 and 2012 bonds carry an underlying rating of "A2."

The Series 2008 bonds carry an insured rating of "A2/AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp, formerly Financial Security Assurance Inc. The Series 2012 bonds carry an insured rating of "A2" by virtue of bond insurance issued by AGMC. The Series 2010 and 2011 bonds do not carry an insured rating.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mission Bend Municipal Utility District No. 2, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 314,598	$ 184,621
Investments	4,185,657	256,991
Receivables:		
Property Taxes	70,217	103,353
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of $3,500)	360,791	
Accrued Interest	2,304	202
Other	773	
Due from Other Funds	36,928	
Prepaid Costs	169,324	
Due from Other Governments	79,529	
Advance for Regional Wastewater Treatment Plant Operations	754,899	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 5,975,020	$ 545,167
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,975,020	$ 545,167

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 91	$ 499,310	$	$ 499,310
1,289	4,443,937		4,443,937
	173,570		173,570
		228,684	228,684
	360,791		360,791
	2,506		2,506
	773		773
	36,928	(36,928)	
	169,324	10,204	179,528
	79,529		79,529
	754,899		754,899
		1,053,874	1,053,874
		7,856	7,856
		13,480,934	13,480,934
$ 1,380	$ 6,521,567	$ 14,744,624	$ 21,266,191
$ -0-	$ -0-	$ 47,870	$ 47,870
$ 1,380	$ 6,521,567	$ 14,792,494	$ 21,314,061

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 206,599	$ 6,081
Accrued Interest Payable		
Due to Other Governments	408,743	
Due to Developers		
Retainage Payable		
Due to Other Funds		36,928
Due to Taxpayers		76,585
Security Deposits	7,000	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	$ 622,342	$ 119,594
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 70,217	$ 103,353
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 169,324	$
Advance for Wastewater Treatment Plant Operations	754,899	
Restricted for Authorized Construction:		
Net Investment Revenues		
Restricted for Debt Service		322,220
Unassigned	4,358,238	
TOTAL FUND BALANCES	$ 5,282,461	$ 322,220
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,975,020	$ 545,167
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 212,680	$	$ 212,680
		13,379	13,379
	408,743		408,743
		1,733,095	1,733,095
	36,928	(36,928)	
	76,585		76,585
	7,000		7,000
		865,000	865,000
		3,946,694	3,946,694
$ -0-	$ 741,936	$ 6,521,240	$ 7,263,176
$ -0-	$ 173,570	$ (173,570)	$ -0-
$	$ 169,324	$ (169,324)	$
	754,899	(754,899)	
1,380	1,380	(1,380)	
	322,220	(322,220)	
	4,358,238	(4,358,238)	
$ 1,380	$ 5,606,061	$ (5,606,061)	$ - 0 -
$ 1,380	$ 6,521,567		
		$ 8,045,745	$ 8,045,745
		640,878	640,878
		1,380	1,380
		5,362,882	5,362,882
		$ 14,050,885	$ 14,050,885

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds		$ 5,606,061
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Bond insurance premiums paid at closing are amortized over the term of the refunding bonds.		10,204
Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		14,542,664
The difference between the net carrying amount of refunded bonds and the reaquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		47,870
Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District.		402,254
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Due to Developer	$ (1,733,095)	
Accrued Interest Payable	(13,379)	
Bonds Payable Within One Year	(865,000)	
Bonds Payable After One Year	(3,946,694)	(6,558,168)
Total Net Position - Governmental Activities		$ 14,050,885

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

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
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	$ 1,440,690	$ 1,277,829
Sales Tax Receipts	349,203	
Water Service	643,485	
Wastewater Service	530,955	
Regional Water Authority Fees	1,000,809	
Penalty and Interest	26,354	45,471
Tap Connection and Inspection Fees	160,805	
Investment Revenues	28,690	5,946
Miscellaneous Revenues	18,537	30
TOTAL REVENUES	$ 4,199,528	$ 1,329,276
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 257,554	$ 21,851
Contracted Services	373,624	38,521
Purchased Wastewater Service	743,694	
Utilities	168,094	
Repairs and Maintenance	439,830	
Regional Water Authority Assessments	1,015,302	
Depreciation		
Parks and Recreation	215,521	
Other	285,844	5,102
Capital Outlay	180,899	
Debt Service:		
Bond Principal		1,075,000
Bond Interest		187,114
Bond Issuance Costs	30,144	
TOTAL EXPENDITURES/EXPENSES	$ 3,710,506	$ 1,327,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 489,022	$ 1,688
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ 643,495	$ -0-
NET CHANGE IN FUND BALANCES	$ 1,132,517	$ 1,688
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2016	4,149,944	320,532
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2017	$ 5,282,461	$ 322,220

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,718,519	$ 10,280	$ 2,728,799
	349,203		349,203
	643,485		643,485
	530,955		530,955
	1,000,809		1,000,809
	71,825	12,931	84,756
	160,805		160,805
2,665	37,301		37,301
	18,567		18,567
$ 2,665	$ 5,531,469	$ 23,211	$ 5,554,680
$ 650	$ 280,055	$	$ 280,055
	412,145		412,145
	743,694		743,694
	168,094		168,094
	439,830		439,830
	1,015,302		1,015,302
		834,929	834,929
	215,521		215,521
	290,946		290,946
	180,899	(180,899)	
	1,075,000	(1,075,000)	
	187,114	20,581	207,695
	30,144		30,144
$ 650	$ 5,038,744	$ (400,389)	$ 4,638,355
$ 2,015	$ 492,725	$ (492,725)	$ -0-
$ (643,495)	$ -0-	$ -0-	$ -0-
$ (641,480)	$ 492,725	$ (492,725)	$
		916,325	916,325
642,860	5,113,336	8,021,224	13,134,560
$ 1,380	$ 5,606,061	$ 8,444,824	$ 14,050,885

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
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	$	492,725
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.		10,280
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		12,931
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.		(834,929)
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.		180,899
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.		1,075,000
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.		(20,581)
Change in Net Position - Governmental Activities	$	916,325

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

NOTE 1. CREATION OF DISTRICT

Mission Bend Municipal Utility District No. 2, located in Harris County, Texas ("the District"), was created by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"), effective December 13, 1977. 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 service, 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 December 21, 1977, and the first bonds were sold on June 16, 1982.

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.

The District has entered into a joint contract with Chelford City Municipal Utility District for wastewater disposal. Oversight responsibility of the wastewater disposal plant is by Chelford City Municipal Utility District. Additional disclosure concerning this joint venture is provided in Note 8.

The District has also entered into a joint contract with three other districts for the construction and operation of an elevated storage tank. The District exercises responsibility for operating the facility. Additional disclosure is provided in Note 10.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

GASB Codification 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual, 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.

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 to obtain net total revenues and expenses of 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 for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in 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 $10,000 or more and an estimated useful life of two years following the date of acquisition. 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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Years
Jogging Trails	15
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20
Investment in Wastewater Treatment Plant	40

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 has 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 appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances 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	Series 2010
Amount Outstanding - September 30, 2017	$ 550,000	$ 1,165,000
Interest Rates	3.60% - 3.75%	3.375%-3.75%
Maturity Dates –Beginning/Ending	September 1, 2018, 2021	September 1, 2018/2021
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2014*	September 1, 2016*

	Series 2011	Refunding Series 2012
Amount Outstanding – September 30, 2017	$ 1,680,000	$ 1,425,000
Interest Rates	3.50% - 4.00%	2.00% - 3.00%
Maturity Dates – Beginning/Ending	September 1, 2018/2025	September 1, 2018/2020
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2018*	September 1, 2016*

* At the option of the District, in whole or from time to time in part, or any date thereafter at par plus accrued interest to the date fixed for redemption. The Series 2008 term bonds maturing on September 1, 2018, and September 1, 2021, are subject to mandatory redemption beginning September 1, 2017, and September 1, 2019, respectively.

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

	October 1, 2016	Additions	Retirements	September 30, 2017
Bonds Payable	$ 5,895,000	$	$ 1,075,000	$ 4,820,000
Unamortized Discounts	(53,491)		(9,343)	(44,148)
Unamortized Premiums	48,102		12,260	35,842
Bonds Payable, Net	$ 5,889,611	$ -0-	$ 1,077,917	$ 4,811,694

Amount Due Within One Year	$ 865,000
Amount Due After One Year	3,946,694
Bonds Payable, Net	$ 4,811,694

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2018	$ 865,000	$ 160,544	$ 1,025,544
2019	910,000	137,313	1,047,313
2020	945,000	107,480	1,052,480
2021	460,000	76,120	536,120
2022	385,000	58,845	443,845
2023-2025	1,255,000	94,040	1,349,040
	$ 4,820,000	$ 634,342	$ 5,454,342

As of September 30, 2017, the District had authorized but unissued utility facility bonds in the amount of $15,540,000; authorized but unissued recreational facility bonds in the amount of $5,210,000; and authorized but unissued refunding bonds in the amount of $24,390,234.

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

During the fiscal year ended September 30, 2017, the District levied an ad valorem debt service tax at the rate of $0.3525 per $100 of assessed valuation, which resulted in a tax levy of $1,298,941 on the adjusted taxable valuation of $368,493,891 for the 2016 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District’s tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND 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 moneys 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. During the current fiscal year, all profits and interest earned on investments remained with the fund from which the monies for such investments were taken.

B. The District 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.

   The 5th year arbitrage rebate calculation reports were completed for the Series 2011 bond issue and the Series 2012 Refunding bond issue. The reports reflect that the District did not have a rebate obligation to the federal government on these issues.

C. The resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rule Making Board through its Electronic Municipal Market Access system ("EMMA") 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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 $3,119,357 and the bank balance was $3,201,646. Of the bank balance, $1,580,705 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, or by a letter of credit.

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	$ 314,598	$ 2,460,047	$ 2,774,645
DEBT SERVICE FUND	184,621	160,000	344,621
CAPITAL PROJECTS FUND	91		91
TOTAL DEPOSITS	$ 499,310	$ 2,620,047	$ 3,119,357

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all 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.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. 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 Texas CLASS.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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	6-10
GENERAL FUND				
TexPool	$ 1,400,682	$ 1,400,682	$	$
Texas CLASS	324,928	324,928		
Certificates of Deposit	2,460,047	1,439,540	1,020,507	
DEBT SERVICE FUND				
TexPool	96,991	96,991		
Certificate of Deposit	160,000	160,000		
CAPITAL PROJECTS FUND				
TexPool	1,289	1,289		
TOTAL INVESTMENTS	$ 4,443,937	$ 3,423,430	$ 1,020,507	$ - 0 -

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 Texas CLASS were rated "AAAm" by Standard & Poor's. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

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 Texas CLASS 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 two years 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.

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	$ 1,053,874	$	$	$ 1,053,874
Construction in Progress	3,156,952	697,873	3,846,969	7,856
Total Capital Assets Not Being Depreciated	$ 4,210,826	$ 697,873	$ 3,846,969	$ 1,061,730
Capital Assets Subject to Depreciation				
Amenities	$ 3,487,708	$ 1,609,819	$	$ 5,097,527
Water System	8,910,369	1,446,337		10,356,706
Wastewater System	4,707,495	563,759		5,271,254
Drainage System	1,809,229	227,054		2,036,283
Investment in Wastewater Treatment Plant	5,673,695			5,673,695
Total Capital Assets Cost Subject to Depreciation	$ 24,588,496	$ 3,846,969	$ - 0 -	$ 28,435,465
Accumulated Depreciation				
Amenities	$ 1,390,543	$ 248,144	$	$ 1,638,687
Water System	5,702,069	262,816		5,964,885
Wastewater System	2,485,323	113,746		2,599,069
Drainage System	476,987	44,124		521,111
Investment in Wastewater Treatment Plant	4,064,680	166,099		4,230,779
Total Accumulated Depreciation	$ 14,119,602	$ 834,929	$ - 0 -	$ 14,954,531
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 10,468,894	$ 3,012,040	$ - 0 -	$ 13,480,934
Total Capital Assets, Net of Accumulated Depreciation	$ 14,679,720	$ 3,709,913	$ 3,846,969	$ 14,542,664

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

NOTE 7. MAINTENANCE TAX

On November 7, 2006, voters of the District approved the levy and collection of a maintenance tax not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of $0.3975 per $100 of assessed valuation, which resulted in a tax levy of $1,464,765 on the adjusted taxable valuation of $368,493,891 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, wastewater and storm sewer systems and parks and recreational facilities.

NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT

On May 23, 1978, the District executed a contract with Chelford City Municipal Utility District ("Chelford City") for the provision of wastewater treatment services to receive, transport, treat and dispose of all waste collected by the District. Chelford City is responsible for constructing, operating and maintaining the wastewater treatment plant. The District purchased 800,000 gallons per day ("gpd") capacity with its Series 1983 bond proceeds. With its 1985 bond proceeds the District purchased an additional 2,687,360 gpd capacity, resulting in a total of 3,512,360 gpd capacity in the Chelford City Regional Wastewater Treatment Plant (the "Plant"). The Plant was down-rated in 2008 from 15,500,000 gpd capacity to 11,000,000 gpd capacity. As a result, the District's share of capacity decreased to 2,492,643 gpd.

The contract states that Chelford City shall remain owner of all the facilities involved and the District will maintain a reserve of capacity in the Plant. The District will pay an operating charge of $1.50 per 1,000 gallons of treatment capacity in the waste disposal system reserved to the District plus the District's pro-rata share of operating costs based upon the number of equivalent connections to the system.

On September 11, 2006, the District amended the contract to clarify the pro rata share of each participant and extend the term of the contract. The term of this contract is for a period of 40 years and shall automatically be extended for successive 40-year periods until all of the participants have been annexed and dissolved by the City of Houston, Texas.

During the current fiscal year, the monthly per-connection charge was $13.50. It is currently budgeted that the monthly connection charge will be $13.50 for the fiscal year ended September 30, 2018. As of September 30, 2017, each participant's share has been adjusted to actual costs. Any excess of revenues or expenditures has been allocated to each participant based upon their prorata share of total annual billings and added to or deducted from each participant's fund balance. In addition, each participant is required to maintain its pro-rata share of an operation and maintenance reserve equivalent to three months of average, budgeted operation and maintenance costs. If in a situation whereby Chelford City is required to sell bonds to the benefit of the District, Chelford City has reserved the right to levy a capacity charge to the District for its prorata portion of the principal of and interest on said bonds.

NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT (Continued)

The participating entities and their respective prorata share of capacity in the Plant are:

Participants	Gallons Per Day Capacity	Percentage
Chelford City Municipal Utility District	864,423	7.86
Chelford One Municipal Utility District	532,258	4.85
Mission Bend Municipal Utility District No. 1	1,041,895	9.47
Mission Bend Municipal Utility District No. 2	2,492,643	22.66
City of Houston (Formerly Harris County Municipal Utility District No. 98)	1,087,112	9.88
Harris County Municipal Utility District No. 120	3,010,952	27.37
Harris County Municipal Utility District No. 147	489,734	4.45
Alief Church of the Nazarene (Formerly United Savings of Texas)	7,806	0.07
City of Houston (Formerly West Houston Municipal Utility District)	1,473,177	13.39
TOTAL	11,000,000	100.00

Separate audited financial reports are issued on the Plant. Reports can be obtained by contacting the District's auditor or the District's attorney.

The following summary financial information of the Plant is presented for the fiscal year ended September 30, 2017:

	Joint Venture
Total Assets	$ 4,121,958
Total Liabilities	673,785
Total Net Assets	$ 3,448,173
Total Operating Revenues	$ 3,424,878
Total Operating Expenses	3,497,016
Net Change in Fund Balance	$ (72,138)
Fund Balance - October 1, 2016	3,520,311
Fund Balance - September 30, 2017	$ 3,448,173

During the current fiscal year, the District's advance for operations and maintenance to the Plant increased to $754,899. The District recorded expenditures of $743,694 for its share of the operating costs of the Plant.

NOTE 9. MISSION BEND INTEGRATED WATER SYSTEM

On May 14, 1981, the District, Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1 and Chelford City Municipal Utility District executed a Water Supply and Billing Agreement (the "Agreement") to coordinate the operation of the water plants and all water interconnects between the districts, allowing the districts to supply water to their respective customers from any water plant in the shared system. On May 14, 1986, the Agreement was renewed for a term of 40 years. On July 1, 2001 a Second Supplement to the Water Supply and Billing Agreement was executed. The districts agreed to share the production of their water plants and pay all costs of operating their respective plants except for electricity and chlorine. The electricity and chlorine costs are prorated to each district based on water billed in each district.

On June 1, 2012, the Third Amended and Restated Water Supply and Billing Agreement was executed to coordinate the operations of the water plants and the billing and collection for the payment of electricity bills, telephone bills, chemical bills and West Harris County Regional Water Authority fees. The districts send their bills to Chelford City Municipal Utility District for payment from a separate account set up for the Mission Bend Integrated Water System. Chelford City Municipal Utility District then bills each district for its prorated share of the costs based on water billed by each district per month. Each district has paid into an operating reserve equal to two months of electricity, telephone, and chemical bills and one month of water authority fees. The term of the Agreement is 40 years. As of September 30, 2017, the District's share of the operating reserve is $136,940.

NOTE 10. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY

On May 30, 1986, the District executed an agreement with Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1, and Chelford City Municipal Utility District to construct, finance and operate a 2,000,000-gallon elevated storage facility. The District holds all legal right, title and interest to the facilities. On November 15, 2016, the districts approved the First Amendment to this agreement clarifying operation and maintenance cost calculations. The term of the agreement is 40 years, unless terminated by mutual agreement of all parties.

Construction and engineering costs were allocated among the districts on a pro-rata basis according to the percentage an individual district's estimated number of ultimate equivalent single family residential connections bears to the total estimated number of ultimate equivalent single family residential connections in all of the districts.

The District operates, maintains and insures the facility on behalf of the districts and pays all costs of operating, maintaining, repairing, reconstructing, replacing and insuring the facility. The districts share these costs according to their equitable prorata shares of capacity in the

NOTE 10. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY (Continued)

facility. The District invoices each district for its prorata share of the costs of operation and maintenance on an annual basis. Separate financial statements are not issued with regards to this agreement. The following is a summary of the current period activity on the elevated storage facility:

Due from Participants - October 1, 2016	$ 3,792
Current Costs:	
Insurance and Maintenance	6,174
Received from Participants	(8,933)
Due from Participants - September 30, 2017	$ 1,033

Each district has equitable ownership rights in the facility as follows:

Participant	Percentage
Mission Bend Municipal Utility District No. 2	50.08
Mission Bend Municipal Utility District No. 1	22.16
Chelford City Municipal Utility District	15.14
Chelford One Municipal Utility District	12.62
TOTAL	100.00

NOTE 11. UNREIMBURSED COSTS

As of September 30, 2017, it was estimated that developers within the District had expended $1,733,095 on behalf of the District for engineering and construction costs for storm water systems in Terra del Sol Sections 4 and 8, and water, sewer and drainage in Terra del Sol, Sections 5 and 9.

NOTE 12. EMERGENCY WATER INTERCONNECT AGREEMENT

On February 14, 2002, the District entered into an emergency water interconnect agreement with Harris County Municipal Utility District No. 120 (“District No. 120”). Each district shall operate and maintain at its own expense water distribution lines owned by or contained within the boundaries of the respective district. District No. 120 shall bill the District 50% of the cost to maintain the point of connect. The price to be paid by water delivered pursuant to this interconnect agreement shall be $0.50 per 1,000 gallons of water used plus the actual fee per 1,000 gallons that the supplying district is charged by the West Harris County Regional Water Authority. The effective date of this contract is January 1, 2002, and the term is 120 years.

NOTE 13. 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 District may be required to convert its water supply to surface water over a period of time at the direction of the Authority.

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 $1,015,302 for fees assessed during the current fiscal year.

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 8, 2003, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provided that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City would 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.

Taxable property within the District is not 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. The District's assets, liabilities, indebtedness, and obligations remain the responsibility of the District during the period preceding full-purpose annexation.

The qualified voters of the Tract may vote in City elections in certain circumstances provided for in the applicable provisions of the Texas Local Government Code.

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

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

equal to one-half of all Sales and Use Tax receipts 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 Controller's office. During the fiscal year ended September 30, 2017, the District recorded sales tax receipts of $349,203 from the City of Houston, of which $78,496 was receivable at year-end.

In consideration for the sales tax receipts and the City's limited-purpose annexation of the Tract in the District, the District agreed to make a payment of $100 per year on the anniversary of the Implementation Date of this agreement. 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.

NOTE 15. INTERFUND BALANCES

The Debt Service Fund (Tax Account) owes the General Fund $29,428 for maintenance tax collections and the Debt Service Fund owes the General Fund $7,500 for arbitrage compliance costs.

NOTE 16. RISK MANAGEMENT

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

NOTE 17. STREET LIGHT BILLING AGREEMENT

On June 1, 2012, the District, Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1 and Chelford City Municipal Utility District executed a Street Light Billing Agreement (the "Agreement") to keep the street lights within the boundaries of the districts along Bellaire Boulevard operational. The electricity bills are sent directly to Chelford City Municipal Utility District for payment. The bookkeeper pays the electricity costs out of the integrated water system account and bill the districts monthly for their prorata shares of the costs based on the number of street lights in each district. Each district has paid into an operating reserve an amount equal to the estimated amount of two months of electricity bills for the street lights. The District's share of the operating reserve is included in the amount in Note 9.

NOTE 18. USE OF SURPLUS FUNDS AND TRANSFERS

On June 21, 2017, in accordance with Rule 30 T.A.C. 293.83(c)(3)(B) of the Commission, the District approved the use of surplus Capital Projects Fund monies to fund a portion of the costs of it water plants nos. 1 and 2 and onsite lift station improvements. During the current fiscal year, the Capital Projects Fund transferred $643,495 to the General Fund to reimburse for costs paid for the improvements.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 1,212,956	$ 1,440,690	$ 227,734
Sales Tax Receipts	338,000	349,203	11,203
Water Service	626,736	643,485	16,749
Wastewater Service	539,388	530,955	(8,433)
Regional Water Authority Fees	890,000	1,000,809	110,809
Penalty and Interest	24,000	26,354	2,354
Tap Connection and Inspection Fees	36,900	160,805	123,905
Investment Revenues	10,000	28,690	18,690
Miscellaneous Revenues	16,800	18,537	1,737
TOTAL REVENUES	$ 3,694,780	$ 4,199,528	$ 504,748
EXPENDITURES			
Services Operations:			
Professional Fees	$ 289,937	$ 257,554	$ 32,383
Contracted Services	383,600	373,624	9,976
Purchased Wastewater Service	750,297	743,694	6,603
Utilities	203,000	168,094	34,906
Repairs and Maintenance	328,500	439,830	(111,330)
Regional Water Authority Assessments	929,025	1,015,302	(86,277)
Parks and Recreation	190,000	215,521	(25,521)
Other	184,150	285,844	(101,694)
Capital Outlay	153,000	180,899	(27,899)
Bond Issuance Costs	45,000	30,144	14,856
TOTAL EXPENDITURES	$ 3,456,509	$ 3,710,506	$ (253,997)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 238,271	$ 489,022	$ 250,751
OTHER FINANCING SOURCES(USES)			
Transfers In (Out)	$ -0-	$ 643,495	$ 643,495
NET CHANGE IN FUND BALANCE	$ 238,271	$ 1,132,517	$ 894,246
FUND BALANCE - OCTOBER 1, 2016	4,149,944	4,149,944	
FUND BALANCE - SEPTEMBER 30, 2017	$ 4,388,215	$ 5,282,461	$ 894,246

See accompanying independent auditor’s report.

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2017

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
SERVICE AND RATES
SEPTEMBER 30, 2017

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved March 17, 2015

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 12.00	10,000	N	$ 0.80	10,001 and up
WASTEWATER:	$ 10.00		Y		
SURCHARGE: Regional Water Authority Fees			N	$ 2.70*	For each 1,000 gallons

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

Total monthly charges per 10,000 gallons usage: Water: $12.00 Wastewater: $10.00 Surcharge: $27.00 Total: $49.00

* Pumpage fee plus 10%

See accompanying independent auditor’s report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	919	894	x 1.0	894
1"	55	53	x 2.5	133
1½"	23	22	x 5.0	110
2"	84	81	x 8.0	648
3"	4	4	x 15.0	60
4"	10	9	x 25.0	225
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water Connections	1,096	1,064		2,120
Total Wastewater Connections	1,044	1,023	x 1.0	1,023

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

Gallons pumped into system: 389,753,000**

Water Accountability Ratio: 100%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 389,573,000

** The District is part of the Mission Bend Integrated Water System. The purchased and sold amounts are not noted by individual districts. All four districts in this system buy and sell water to the other districts in the regional system monthly.

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No _____

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all __X__

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

Entirely __X__ Partly ______ Not at all ____

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

PROFESSIONAL FEES:		
Architect	$	26,138
Auditing		20,200
Engineering		109,527
Legal		100,389
Financial Advisor		1,300
TOTAL PROFESSIONAL FEES	$	257,554
PURCHASED SERVICES FOR RESALE:		
Purchased Wastewater Service	$	743,694
CONTRACTED SERVICES:		
Bookkeeping	$	36,620
Operations and Billing		115,232
Recording Secretary		22,800
TOTAL CONTRACTED SERVICES	$	174,652
UTILITIES:		
Electricity	$	164,873
Telephone		3,221
TOTAL UTILITIES	$	168,094
REPAIRS AND MAINTENANCE	$	439,830
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	36,000
Dues		2,985
Insurance		26,681
Office Supplies and Postage		258
Payroll Taxes		5,230
Travel and Meetings		5,277
Other		43,810
TOTAL ADMINISTRATIVE EXPENDITURES	$	120,241

See accompanying independent auditor’s report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CAPITAL OUTLAY:		
Capitalized Assets	$	180,899
Expenditures Not Capitalized		
TOTAL CAPITAL OUTLAY	$	180,899
TAP CONNECTIONS	$	73,130
SECURITY	$	198,972
PARKS AND RECREATION	$	215,521
OTHER EXPENDITURES:		
Laboratory Fees	$	6,905
Permit Fees		6,519
Inspection Fees		73,213
Regional Water Authority Assessments		1,015,302
Regulatory Assessment		5,836
TOTAL OTHER EXPENDITURES	$	1,107,775
DEBT SERVICE:		
Bond Issuance Costs	$	30,144
TOTAL EXPENDITURES	$	3,710,506

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
SEPTEMBER 30, 2017

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0003	1.027%	Daily	$ 1,400,682	$
Texas CLASS	XXXX0001	1.074%	Daily	324,928	
Certificate of Deposit	XXXX1609	0.250%	03/30/18	225,000	284
Certificate of Deposit	XXXX4772	0.600%	05/06/18	214,539	
	XXXX8523	0.890%	04/27/19	1,020,508	1,618
Certificate of Deposit	XXXX8523	1.350%	09/11/18	1,000,000	402
TOTAL GENERAL FUND				$ 4,185,657	$ 2,304
DEBT SERVICE FUND					
TexPool	XXXX0005	1.027%	Daily	$ 96,991	$
Certificate of Deposit	XXXX1610	0.250%	03/30/18	160,000	202
TOTAL DEBT SERVICE FUND				$ 256,991	$ 202
CAPITAL PROJECTS FUND					
TexPool	XXXX0002	1.027%	Daily	$ 1,289	$ - 0 -
TOTAL - ALL FUNDS				$ 4,443,937	$ 2,506

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2016	$ 64,738		$ 98,552	
Adjustments to Beginning Balance	(18,596)	$ 46,142	(16,311)	$ 82,241
Original 2016 Tax Levy	$ 1,606,757		$ 1,424,860	
Adjustment to 2016 Tax Levy	(141,992)	1,464,765	(125,919)	1,298,941
TOTAL TO BE ACCOUNTED FOR		$ 1,510,907		$ 1,381,182
TAX COLLECTIONS:				
Prior Years	$ 7,240		$ 6,656	
Current Year	1,433,450	1,440,690	1,271,173	1,277,829
TAXES RECEIVABLE - SEPTEMBER 30, 2017		$ 70,217		$ 103,353
TAXES RECEIVABLE BY YEAR:				
2016		$ 31,315		$ 27,768
2015		4,003		3,434
2014		4,243		4,253
2013		2,948		3,556
2012		2,642		3,309
2011		3,291		3,593
2010		4,400		4,765
2009		4,169		2,163
2008		4,438		2,274
2007		4,319		2,808
2006		960		3,842
2005		702		4,765
2004		927		6,568
2003		729		5,772
2002		759		14,049
2001 and prior		372		10,433
TOTAL		$ 70,217		$ 103,352

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2016	2015	2014	2013
PROPERTY VALUATIONS:				
Land	$ 139,492,762	$ 135,626,304	$ 119,496,428	$ 117,637,599
Improvements	301,361,125	262,552,321	222,896,838	190,588,112
Personal Property	29,153,587	23,214,213	21,660,259	23,458,278
Exemptions	(101,513,583)	(95,423,685)	(86,290,376)	(72,138,939)
TOTAL PROPERTY VALUATIONS	$ 368,493,891	$ 325,969,153	$ 277,763,149	$ 259,545,050
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.3525	$ 0.3680	$ 0.4205	$ 0.4647
Maintenance**	0.3975	0.4290	0.4195	0.3853
TOTAL TAX RATES PER $100 VALUATION	$ 0.7500	$ 0.7970	$ 0.8400	$ 0.8500
ADJUSTED TAX LEVY*	$ 2,763,706	$ 2,597,974	$ 2,333,210	$ 2,206,133
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.86 %	99.71 %	99.64 %	99.71 %

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

** Maintenance Tax –At an election held on November 7, 2006, voters of the District authorized a maintenance tax rate of $1.50 per $100 of assessed valuation.

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

	S E R I E S - 2 0 0 8		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	$ 125,000	$ 20,438	$ 145,438
2019	135,000	15,938	150,938
2020	140,000	10,875	150,875
2021	150,000	5,625	155,625
2022			
2023			
2024			
2025			
	$ 550,000	$ 52,876	$ 602,876

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

	S E R I E S - 2 0 1 0		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	$ 275,000	$ 41,556	$ 316,556
2019	290,000	32,275	322,275
2020	300,000	22,125	322,125
2021	300,000	11,250	311,250
2022			
2023			
2024			
2025			
	$ 1,165,000	$ 107,206	$ 1,272,206

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
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 September 1	Interest Due March 1/ September 1	Total
2018	$ 10,000	$ 60,350	$ 70,350
2019	10,000	60,000	70,000
2020	10,000	59,630	69,630
2021	10,000	59,245	69,245
2022	385,000	58,845	443,845
2023	400,000	45,755	445,755
2024	420,000	31,755	451,755
2025	435,000	16,530	451,530
	$ 1,680,000	$ 392,110	$ 2,072,110

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

	REFUNDING SERIES - 2012		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	$ 455,000	$ 38,200	$ 493,200
2019	475,000	29,100	504,100
2020	495,000	14,850	509,850
2021			
2022			
2023			
2024			
2025			
	$ 1,425,000	$ 82,150	$ 1,507,150

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2017

Due During Fiscal Years Ending September 30	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	$ 865,000	$ 160,544	$ 1,025,544
2019	910,000	137,313	1,047,313
2020	945,000	107,480	1,052,480
2021	460,000	76,120	536,120
2022	385,000	58,845	443,845
2023	400,000	45,755	445,755
2024	420,000	31,755	451,755
2025	435,000	16,530	451,530
	$ 4,820,000	$ 634,342	$ 5,454,342

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Description	Original Bonds Issued	Bonds Outstanding October 1, 2016
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2008	$ 1,520,000	$ 670,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2010	2,790,000	1,440,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2011	1,740,000	1,690,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2012	3,230,000	2,095,000
	$ 9,280,000	$ 5,895,000

Bond Authority:	Tax Bonds	Recreational Facility Tax Bonds	Refunding Bonds
Amount Authorized by Voters	$ 45,620,000	$ 8,000,000	$ 30,000,000
Amount Issued	30,080,000	2,790,000	5,609,766
Remaining to be Issued	$ 15,540,000	$ 5,210,000	$ 24,390,234

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding September 30, 2017	Paying Agent
$	$ 120,000	$ 24,758	$ 550,000	Wells Fargo Bank N.A. Houston, TX
	275,000	50,081	1,165,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
	10,000	60,675	1,680,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	670,000	51,600	1,425,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ - 0 -	$ 1,075,000	$ 187,114	$ 4,820,000	

Debt Service Fund cash and investment balances as of September 30, 2017:	$ 441,612
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 681,793

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

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	$ 1,440,690	$ 1,378,092	$ 1,161,802
Sales Tax Receipts	349,203	361,205	350,616
Water Service	643,485	624,327	619,898
Wastewater Service	530,955	516,496	514,652
Regional Water Authority Fees	1,000,809	912,651	859,861
Penalty and Interest	26,354	24,757	27,019
Tap Connection and Inspection Fees	160,805	185,500	104,108
Investment Revenues	28,690	20,912	4,961
Miscellaneous Revenues	18,537	18,666	18,213
TOTAL REVENUES	$ 4,199,528	$ 4,042,606	$ 3,661,130
EXPENDITURES			
Professional Fees	$ 257,554	$ 230,634	$ 152,912
Contracted Services	373,624	373,595	367,605
Purchased Wastewater Service	743,694	511,007	664,021
Utilities	168,094	195,102	189,997
Repairs and Maintenance	439,830	331,272	441,325
Regional Water Authority Assessments	1,015,302	924,126	920,495
Parks and Recreation	215,521	261,181	169,768
Other	285,844	264,510	237,900
Capital Outlay	180,899	187,648	1,471,970
Bond Issuance Costs	30,144	5,381	
TOTAL EXPENDITURES	$ 3,710,506	$ 3,284,456	$ 4,615,993
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 489,022	$ 758,150	$ (954,863)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ 643,495	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 1,132,517	$ 758,150	$ (954,863)
BEGINNING FUND BALANCE	4,149,944	3,391,794	4,346,657
ENDING FUND BALANCE	$ 5,282,461	$ 4,149,944	$ 3,391,794

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
$ 981,004	$ 968,070	34.5 %	34.1 %	31.7 %	28.7 %	29.5 %
328,930	299,773	8.3	8.9	9.6	9.6	9.2
604,503	670,019	15.3	15.4	16.9	17.7	20.4
505,593	531,976	12.6	12.8	14.1	14.8	16.3
779,120	725,539	23.8	22.6	23.5	22.8	22.1
49,516	22,862	0.6	0.6	0.7	1.4	0.7
118,034	50,425	3.8	4.6	2.8	3.5	1.5
4,264	4,678	0.7	0.5	0.2	0.2	0.1
44,552	7,664	0.4	0.5	0.5	1.3	0.2
$ 3,415,516	$ 3,281,006	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 154,853	$ 174,890	6.1 %	5.7 %	4.2 %	4.5 %	5.3 %
357,713	342,688	8.9	9.2	10.1	10.6	10.5
615,701	854,385	17.7	12.6	18.1	18.0	26.0
170,024	199,114	4.0	4.8	5.2	5.0	6.1
437,500	513,559	10.5	8.2	12.1	12.8	15.7
792,122	824,332	24.2	22.9	25.1	23.2	25.1
158,074	112,522	5.1	6.5	4.6	4.6	3.4
275,523	186,154	6.8	6.5	6.5	8.1	5.7
295,902	1,093,786	4.3	4.6	40.2	8.7	33.3
		0.7	0.1			
$ 3,257,412	$ 4,301,430	88.3 %	81.1 %	126.1 %	95.5 %	131.1 %
$ 158,104	$ (1,020,424)	11.7 %	18.9 %	(26.1) %	4.5 %	(31.1) %
$ 918,265	$ - 0 -					
$ 1,076,369	$ (1,020,424)					
3,270,288	4,290,712					
$ 4,346,657	$ 3,270,288					

See accompanying independent auditor’s report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	$ 1,277,829	$ 1,183,351	$ 1,164,959
Penalty and Interest	45,471	26,481	38,882
Investment Revenues	5,946	2,910	973
Miscellaneous Revenues	30	7	526
TOTAL REVENUES	$ 1,329,276	$ 1,212,749	$ 1,205,340
EXPENDITURES			
Tax Collection Expenditures	$ 62,974	$ 47,869	$ 48,767
Debt Service Principal	1,075,000	995,000	975,000
Debt Service Interest and Fees	189,614	216,144	242,664
Bond Issuance Costs			
TOTAL EXPENDITURES	$ 1,327,588	$ 1,259,013	$ 1,266,431
NET CHANGE IN FUND BALANCE	$ 1,688	$ (46,264)	$ (61,091)
BEGINNING FUND BALANCE	320,532	366,796	427,887
ENDING FUND BALANCE	$ 322,220	$ 320,532	$ 366,796
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,064	980	846
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,023	939	806

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
$ 1,183,718	$ 1,199,278	96.2 %	97.6 %	96.7 %	98.2 %	97.3
21,175	32,809	3.4	2.2	3.2	1.8	2.6
523	750	0.4	0.2	0.1		0.1
	1					
$ 1,205,416	$ 1,232,838	100.0 %	100.0 %	100.0 %	100.0 %	100.0
$ 39,650	$ 46,857	4.7 %	3.9 %	4.0 %	3.3 %	3.8
915,000	875,000	80.9	82.0	80.9	75.9	71.0
271,564	304,158	14.3	17.8	20.1	22.5	24.7
$ 1,226,214	$ 1,226,015	99.9 %	103.7 %	105.0 %	101.7 %	99.5
$ (20,798)	$ 6,823	0.1 %	(3.7) %	(5.0) %	(1.7) %	0.5
448,685	441,862					
$ 427,887	$ 448,685					
809	732					
765	685					

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2017

District Mailing Address	-	Mission Bend Municipal Utility District No. 2 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District Telephone Number	-	(713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2017	Expense Reimbursements for the year ended September 30, 2017	Title
Judy Villagomez	05/16 05/20 (Elected)	$ 7,200	$ 1,137	President
Mary Bertrand	05/16 05/20 (Elected)	$ 7,200	$ 548	Vice President
Susan Land Johnson	05/14 05/18 (Elected)	$ 7,200	$ 394	Assistant Vice President
Marlene Weppler	05/16 05/20 (Elected)	$ 7,200	$ 1,156	Secretary
Brenda S. Whitehead	05/14 05/18 (Elected)	$ 6,750	$ 2,041	Assistant Secretary

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 19, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060) on June 25, 2001. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2017

Consultants:	Date Hired	Fees for the year ended September 30, 2017	Title
Allen Boone Humphries Robinson LLP	07/28/03	$ 101,975 $ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/15/87	$ 20,200	Auditor
VLB Bookkeeping Services	9/27/04	$ 37,566	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/25/96	$ 18,666	Delinquent Tax Attorney
AECOM Technical Services, Inc.	6/28/04	$ 167,824	Engineer
Public Finance Group LLC	03/18/14	$ 1,300	Financial Advisor
Vicki Busboom	09/27/04	$ -0-	Investment Officer
Si Environmental, LLC	08/13/13	$ 663,589	Operator
Susan Prospere	09/09/93	$ 22,800	Recording Secretary
Bob Leared Interests	02/22/78	$ 29,180	Tax Assessor/ Collector

See accompanying independent auditor's report.

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

MISSION BEND MUNICIPAL UTILITIY DISTRICT NO. 2
ASSESSED VALUE BY CLASSIFICATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

	2016 Tax Roll Year	
Type of Property	Amount	Percentage
Single Family	$ 87,825,717	24.0 %
Multi-Family	95,981,004	26.0
Commercial	143,333,770	38.9
Personal	24,828,737	6.7
Acreage	1,275,158	0.3
Vacant Lots	15,249,505	4.1
Total	$ 368,493,891	100.0 %

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
PRINCIPAL TAXPAYERS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

	Taxpayers	2016
1.	Guardian 14402 Pavilion	$ 19,733,000
2.	LF2 Presidio LP	17,707,000
3.	JSN Apartment LLC	16,370,818
4.	JK 14500 Empanada LLC	14,520,374
5.	Rama Elite LLC ET AL	14,472,564
6.	Rama Elite LLC ET AL	14,008,603
7.	SBC Communications	9,285,000
8.	VDC Matthew Ridge Ltd	7,887,000
9.	Public Storage Inc	7,248,617
10.	Saga Development LLC	7,119,800
Total Ten Principal Taxpayers		$ 128,352,776

See accompanying independent auditor's report.