

OFFICIAL STATEMENT DATED APRIL 12, 2018

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

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

NEW ISSUE-Book-Entry-Only

Insured Rating: S&P "AA" (Stable Outlook)
 Moody's "A2" (Stable Outlook)
 Underlying Rating: Moody's "Baa2"
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$3,000,000

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Waller and Fort Bend Counties)

**UNLIMITED TAX ROAD BONDS
 SERIES 2018**

The bonds described above (the "Bonds") are obligations solely of Willow Creek Farms Municipal Utility District (the "District") and are not obligations of the State of Texas, Waller County, Fort Bend County, the City of Katy, or any entity other than the District.

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

Dated Date: May 1, 2018

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from May 1, 2018, and is payable each September 1 and March 1, commencing September 1, 2018, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
\$ 125,000	2019	97112A LA4	5.000 %	1.850 %	\$ 125,000	2026 (a)	97112A LH9	3.000 %	3.000 %
125,000	2020	97112A LB2	5.000	2.000	125,000	2027 (a)	97112A LJ5	3.000	3.050
125,000	2021	97112A LC0	5.000	2.100	125,000	2028 (a)	97112A LK2	3.000	3.100
125,000	2022	97112A LD8	5.000	2.300	125,000	2029 (a)	97112A LL0	3.000	3.200
125,000	2023	97112A LE6	3.500	2.450	125,000	2030 (a)	97112A LM8	3.000	3.300
125,000	2024 (a)	97112A LF3	3.000	2.600	125,000	2031 (a)	97112A LN6	3.125	3.350
125,000	2025 (a)	97112A LG1	3.000	2.800					

\$250,000 Term Bonds due September 1, 2033 (a), 97112A LQ9 (b), 3.250% Interest Rate, 3.450% Yield (c)
 \$250,000 Term Bonds due September 1, 2035 (a), 97112A LS5 (b), 3.375% Interest Rate, 3.550% Yield (c)
 \$250,000 Term Bonds due September 1, 2037 (a), 97112A LU0 (b), 3.500% Interest Rate, 3.650% Yield (c)
 \$250,000 Term Bonds due September 1, 2039 (a), 97112A LW6 (b), 3.625% Interest Rate, 3.750% Yield (c)
 \$375,000 Term Bonds due September 1, 2042 (a), 97112A LZ9 (b), 3.625% Interest Rate, 3.800% Yield (c)

- (a) Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriters shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about May 10, 2018.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") paying the interest rates shown on the cover page hereof, at a price of 98.0176% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.594947%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

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

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

Securities Laws

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

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OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General...

The Houston area, including Waller County and Fort Bend County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 85 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to flooding caused by hurricanes, tropical storms, and other tropical disturbances.

Impact on the District...

According to TNG Utility Corporation (the "Operator") and IDS Engineering Group (the "Engineer"), the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service. However, according to the Operator and the Engineer, approximately 18 homes within Willow Creek Farms I, Sections Two and Four experienced isolated structural flooding. According to the Operator, the Engineer, Forestar/MWC WCF LLC ("Forestar/MWC"), Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), and Westin Homes and Properties, L.P., a Texas limited partnership ("Westin"), no homes experienced structural flooding in any other sections located within the District.

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by Texas Legislature Senate Bill 1961, 80th Legislative Regular Session, 2007, effective June 15, 2007, and operates under Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts. At the time of creation, the District contained approximately 330 acres of land. Subsequent to creation, the District annexed approximately 245 acres, which brings the total District acreage to approximately 575 acres. See "THE DISTRICT."

Location...

The District is located predominantly in Waller County, with approximately 66 acres located in Fort Bend County. The District is approximately 36 miles west of the City of Houston Central Business District. The District is entirely located within the extraterritorial jurisdiction of the City of Katy. Land within the District is either located within the Katy Independent School District or the Lamar Consolidated Independent School District. The District is located south of Interstate Highway 10 and is bisected by Pederson Road. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

The Developers...

Forestar/MWC WCF LLC ("Forestar/MWC"), a Texas limited liability company, in a venture with Johnson Development Services ("JDS"), a subsidiary of Johnson Development Corp, a Delaware corporation, has completed the development of 265 single-family residential lots on approximately 88 acres. Forestar/MWC does not own any additional developable acres within the District.

Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), has developed 152 single-family residential lots on approximately 48 acres as Willow Creek Farms II, Section Two. Pulte is the sole homebuilder in such section. Pulte does not own any additional undeveloped land in the District.

Westin Homes and Properties, L.P., a Texas limited partnership (“Westin”), has developed 119 single-family residential lots on approximately 46 acres as Willow Creek Farms II, Sections Three and Four and is constructing paving on approximately 7 acres for the development of an additional 18 single-family residential lots in Willow Creek Farms II, Section Five. Westin is the sole homebuilder in Sections Three and Four. Westin does not own any additional undeveloped land in the District. Forestar/MWC is acting as a fee developer to develop the land owned by Westin.

Willow Creek Farms Sections One through Seven on approximately 137 acres was previously developed by another developer that is no longer active in the District.

The balance of the developable acreage in the District is owned by three property owners and no development activity is currently taking place upon such acreage.

Forestar/MWC, Pulte, and Westin are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

Status of Development...

The District is being developed as Willow Creek Farms. As of March 8, 2018, 1,133 single-family residential lots on approximately 312 acres have been developed, 794 homes have been completed (788 occupied), 40 homes were under construction or in a builder’s name and 299 vacant developed lots were available for home construction. In addition, 18 single-family residential lots on approximately 7 acres are under construction with an estimated completion by April 2018. Homes within the District range in price from approximately \$205,000 to \$365,000. Approximately 130 additional developable acres currently within the District have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 126 acres are not developable (rights-of-way, detention, open spaces, easements and utility sites). See “THE DISTRICT.”

Builders...

Pulte Homes, Westin Homes and Anglia Homes are currently building homes in the District. See “THE DEVELOPERS.”

Payment Record...

The District has previously issued \$3,980,000 principal amount of unlimited tax bonds for roads and related improvements in two series, \$24,190,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in six series, and \$4,360,000 principal amount of unlimited tax refunding bonds in two series, \$26,680,000 of which collectively remains outstanding (the “Outstanding Bonds”). The District has never defaulted on its debt obligations. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

Future Debt...

The District has authorized preparation of a bond application to the TCEQ requesting authorization to issue approximately \$4,300,000 principal amount of unlimited tax bonds. The District anticipates approval and issuance of such bonds in the fall of 2018. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE BONDS

Description...

The \$3,000,000 Unlimited Tax Road Bonds, Series 2018 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in each of the years 2019 through 2031, both inclusive, and as term bonds on September 1 in each of the years 2033, 2035, 2037, 2039, and 2042 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from May 1, 2018, and is payable each September 1 and March 1 beginning September 1, 2018, until the earlier of maturity or redemption. See “THE BONDS.”

Book-Entry-Only System...

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

<i>Redemption...</i>	Bonds maturing on or after September 1, 2024 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for road construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including interest on funds advanced by the Developers on behalf of the District and administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE ROADS.”
<i>Authority for Issuance...</i>	The Bonds are the fourth series of unlimited tax road bonds issued out of an aggregate of \$23,500,000 principal amount of unlimited tax road bonds authorized by the District’s voters for the purposes of financing roads and related improvements and refunding such bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Katy, Waller County, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Insurance and Municipal Bond Rating...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investors Service (“Moody’s”) will assign a municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying credit rating of “Baa2” to the Bonds. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and APPENDIX B.
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2018 is not expected to exceed \$10,000,000. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Hilltop Securities Inc., Houston, Texas.
<i>Disclosure Counsel...</i>	Norton Rose Fulbright US LLP, Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2017 Certified Taxable Assessed Valuation.....	\$222,488,568 (a)
Estimated Taxable Assessed Valuation as of February 1, 2018	\$234,273,981 (b)
Gross Direct Debt Outstanding	\$29,680,000 (c)
Estimated Overlapping Debt	<u>10,222,166 (d)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$39,902,166
Ratios of Gross Direct Debt to:	
2017 Certified Taxable Assessed Valuation.....	13.34%
Estimated Taxable Assessed Valuation as of February 1, 2018	12.67%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2017 Certified Taxable Assessed Valuation	17.93%
Estimated Taxable Assessed Valuation as of February 1, 2018	17.03%
Funds Available for Debt Service:	
Water, Sewer and Drainage Debt Service Fund Balance as of March 8, 2018	\$2,171,456 (e)(g)
Road Debt Service Fund Balance as of March 8, 2018.....	<u>649,498 (e)(g)</u>
Total Funds Available for Debt Service	\$2,820,954 (e)
Operating Funds Available as of March 8, 2018.....	\$2,603,703 (f)
Water, Sewer and Drainage Capital Project Funds Available as of March 8, 2018	\$1,167,648
2017 Debt Service Tax Rate.....	\$0.77 (g)
2017 Maintenance Tax Rate.....	<u>0.24</u>
2017 Total Tax Rate.....	\$1.01 (h)
Average Annual Debt Service Requirement (2019-2042).....	\$1,668,795 (i)
Maximum Annual Debt Service Requirement (2019).....	\$2,056,105 (i)
Tax Rates Required to Pay Average Annual Debt Service (2019-2042) at a 95% Collection Rate	
Based upon 2017 Certified Taxable Assessed Valuation	\$0.79 (j)
Based upon Estimated Taxable Assessed Valuation as of February 1, 2018	\$0.75 (j)
Tax Rates Required to Pay Maximum Annual Debt Service (2019) at a 95% Collection Rate	
Based upon 2017 Certified Taxable Assessed Valuation	\$0.98 (j)
Based upon Estimated Taxable Assessed Valuation as of February 1, 2018	\$0.93 (j)
Status of Development as of March 8, 2018 (k):	
Lots Constructed	1,133
Homes Completed (788 Occupied Homes).....	794
Homes Under Construction or in a Builder's Name.....	40
Lots Available for Home Construction	299
Lots Under Construction	18
Estimated Population	2,744 (l)

- (a) As certified by the Waller County Appraisal District (\$217,083,167) and the Fort Bend Central Appraisal District (\$5,405,401). Collectively, the "Appraisal Districts."
- (b) Provided by the Appraisal Districts (\$225,000,000 in Waller County and \$9,273,981 in Fort Bend County) as of February 1, 2018 for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on the respective dates. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Although the Outstanding Bonds and the Bonds, are payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities ("Water, Sewer and Drainage Bonds") and a pro rata portion will be allocated to the bonds sold for roads and related improvements ("Road Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Road Debt Service Fund is not pledged to the Bonds or the Outstanding Water, Sewer and Drainage Bonds nor will funds deposited into the Water, Sewer and Drainage Debt Service Fund be pledged to the Bonds or the Outstanding Road Bonds.
- (f) Includes approximately \$570,104 advanced on behalf of the Developers for Phase 3 of the wastewater treatment plant expansion.
- (g) See "THE ROADS—Transportation District Agreement" and "INVESTMENT CONSIDERATIONS—Waller County Annual Payment Delinquency."
- (h) Of the total 2017 debt service tax rate, \$0.02 of the 2017 debt service tax rate is allocated to Road Bonds and \$0.75 is allocated to Water, Sewer and Drainage Bonds.
- (i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (j) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (k) See "THE DISTRICT—Land Use—Status of Development."
- (l) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$3,000,000

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Waller and Fort Bend Counties)

UNLIMITED TAX ROAD BONDS SERIES 2018

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Willow Creek Farms Municipal Utility District (the "District") of its \$3,000,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Forestar/MWC WCF LLC ("Forestar/MWC"), Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), Westin Homes and Properties, L.P., a Texas limited partnership ("Westin"), and development activity and land ownership in the District. Forestar/MWC, Pulte and Westin are collectively referred to herein as the "Developers." Other descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

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

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Waller County, Fort Bend County, the City of Katy, or any entity other than the District.

Funds

In the Bond Resolution, the Road Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the outstanding Road Bonds and the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

The District also maintains a Debt Service Fund that is not pledged to the Road Bonds, including the Bonds. Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal and interest on the outstanding Road Bonds or the Bonds.

Accrued interest on the Bonds shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2033, 2035, 2037, 2039, and 2042 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, at the option of the District, by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$250,000 Term Bonds Due September 1, 2033		\$250,000 Term Bonds Due September 1, 2035		\$250,000 Term Bonds Due September 1, 2037	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2032	\$ 125,000	2034	\$ 125,000	2036	\$ 125,000
2033 (maturity)	125,000	2035 (maturity)	125,000	2037 (maturity)	125,000

\$250,000 Term Bonds Due September 1, 2039		\$375,000 Term Bonds Due September 1, 2042	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2038	\$ 125,000	2040	\$ 125,000
2039 (maturity)	125,000	2041	125,000
		2042 (maturity)	125,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2024, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on September 1, 2023, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption.

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

Authority for Issuance

At a bond election held within the District, voters of the District have authorized the issuance of \$23,500,000 principal amount of unlimited tax road bonds for financing roads and related improvements and refunding such bonds. The Bonds are being issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an election held within the District.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

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

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

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

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$23,500,000 principal amount of unlimited tax bonds for financing roads and related improvements and refunding bonds issued for such purposes and could authorize additional amounts. After the issuance of the Bonds, the District will have \$16,450,000 principal amount of unlimited tax bonds for financing roads and related improvements and refunding such bonds which remains authorized but unissued. The District's voters have also authorized the issuance of \$57,230,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing the District's water, sewer and drainage facilities and refunding bonds issued for such purpose, \$32,745,000 principal amount of which remains authorized but unissued. The District has authorized preparation of a bond application to the TCEQ requesting authorization to issue approximately \$4,300,000 principal amount of unlimited tax bonds. The District anticipates approval and issuance of such bonds in the fall of 2018. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has prepared and adopted a detailed park plan and the authorized voters of the District have authorized the issuance of \$11,375,000 principal amount of unlimited tax park bonds and refunding bonds issued for such purpose, all of which is unissued. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the Texas Commission on Environmental Quality (the "TCEQ"); and (b) approval of the bonds by the Attorney General of Texas.

Annexation by the City of Katy

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

Strategic Partnership Agreement

Effective November 15, 2016, the District entered into a Strategic Partnership Agreement (the “Agreement”) with the City of Katy, Texas (the “City”). The Agreement, subject to the Development Agreement (See “THE SYSTEM—Development Agreement”), provides for the annexation of the entirety of the property located in the District (the “Tract”) by the City for certain limited purposes including the provision of fire, police protection, and emergency response services. The Agreement further provides for the annexation of particular commercial and residential property located in the District (the “Development Tract”) for the limited purpose of imposing a Sales and Use Tax, providing City water and wastewater utility services, providing City garbage and recycling collection, imposing City drainage standards, and accepting the roads constructed on the Development Tract for ownership.

The City will impose a Sales and Use Tax within the District upon the limited-purpose annexation of the Development Tract. The Sales and Use Tax will be 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 future amendments to Chapter 321 of the Tax Code. The City will pay the District 50% of all Sales and Use Tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller (net of any Comptroller collection costs) within 30 days of the City receiving the funds from the State Comptroller’s office. Funds received by the District under the Agreement are not pledged to payment of the Bonds.

In consideration of the District’s receipt of the Sales and Use Tax revenue, the District agrees to use available funds, including but not limited to the Sales and Use Tax revenue the District receives, to acquire the necessary right of way and construct the road improvements (the “Road Improvements”) set forth in the Agreement. Upon completion of Road Improvement, the City will accept the Road Improvements in accordance with the terms of the Development Agreement and assume all responsibility to continue maintenance related thereto. So long as the District completes the Road Improvements, the District may use the Sales and Use Tax revenues for any lawful purpose for the entirety of the term of the Agreement.

The Agreement continues until the earlier of: (i) dissolution of the District; (ii) 45 years from the effective date of the Agreement; or (iii) termination on an earlier date pursuant to express written agreement executed by the City and the District. The Agreement may be extended beyond 45 years from the effective date for successive one-year or longer periods by mutual agreement of the City and the District.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by IDS Engineering Group, the District’s engineer (the “Engineer”). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Hilltop Securities Inc. (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS

Pavement Construction Costs for:

• Willow Creek Farms II, Section One	\$	783,259
• Willow Creek Farms II, Section Six		349,310
• Jordan Ranch Boulevard		682,376
• Engineering and Materials Testing.....		226,624
• Texas Heritage Parkway Engineering and Platting.....		507,021
Total Construction Costs.....	\$	2,548,590

NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$	59,471
• Developer Interest.....		203,887
Total Non-Construction Costs.....	\$	263,358

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$	184,523
• State Regulatory Fee.....		3,000
• Contingency (a).....		529
Total Issuance Costs and Fees.....	\$	188,052
TOTAL BOND ISSUE REQUIREMENT.....	\$	3,000,000

(a) Contingency represents the difference in the estimated and actual amount of Underwriter’s discount.

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THE DISTRICT

General

The District is a municipal utility district created by Texas Legislature Senate Bill 1961, 80th Legislative Regular Session, 2007 effective June 15, 2007. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities and road facilities, including the issuance of bonds payable from taxes for such purposes. See “THE BONDS—Issuance of Additional Debt.” The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts or municipalities.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies and in certain instances, the City of Katy. See “THE SYSTEM—Regulation.”

Description and Location

At the time of creation, the District contained approximately 330 acres of land. Subsequent to creation, the District annexed approximately 245 acres, which brought the total District acreage to approximately 575 acres. The District is located predominantly in Waller County, with approximately 66 acres located in Fort Bend County. The District is approximately 36 miles west of the City of Houston central business district, and is located entirely within the extraterritorial jurisdiction of the City of Katy. The District is located south of Interstate Highway 10 and is bisected by Pederson Road. See “AERIAL PHOTOGRAPH.”

Land Use

The District currently includes approximately 312 acres of single-family residential development (1,133 single-family residential lots), approximately 7 acres where construction of 18 single-family residential lots is underway, approximately 126 undevelopable acres (drainage and pipeline easements, street rights-of-way and utility sites) and approximately 130 developable acres that have not been fully provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i>Single-Family Residential</i>		
<i>Willow Creek Farms:</i>		
Section One	44	114
Section One-A	15	87
Section Two.....	21	105
Section Three.....	15	77
Section Four.....	12	56
Section Five.....	12	72
Section Six.....	11	54
Section Seven	7	29
<i>Willow Creek Farms II:</i>		
Section One	32	90
Section Two.....	48	152
Section Three.....	31	95
Section Four.....	8	27
Section Five (a).....	7	18
Section Six.....	18	64
Section Seven	26	64
Section Eight	<u>12</u>	<u>47</u>
Subtotal.....	312	1,133
<i>Future Development</i>	130	---
<i>Non-Developable (b)</i>	<u>126</u>	<u>---</u>
Totals	575	1,133

- (a) Construction of such lots is underway with an estimated completion date by April 2018.
 (b) Includes public rights-of-way, detention, open spaces, easements and utility sites.

Status of Development

The District is being developed as Willow Creek Farms. As of March 8, 2018, 1,133 single-family residential lots on approximately 312 acres have been developed, 794 homes had been completed (788 occupied), 40 homes were under construction or in a builder's name and 299 vacant developed lots were available for home construction. In addition, 18 single-family residential lots on approximately 7 acres are under construction with an estimated completion by April 2018. Homes within the District range in price from approximately \$205,000 to \$365,000. Approximately 130 additional developable acres currently within the District have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 126 acres are not developable (rights-of-way, detention, open spaces, easements and utility sites). The estimated population in the District (based upon 3.5 persons per occupied single-family residence) is 2,744. See "Land Use" above.

Homebuilding

Pulte Homes, Westin Homes and Anglia Homes are currently building homes in the District. See "THE DEVELOPERS."

Future Development

The District is currently planned as a primarily single-family residential development with complementary retail/commercial development. Approximately 130 developable acres of land currently within the District (excluding approximately 7 acres under construction for the development of 18 single-family residential lots) are not yet fully served with water distribution and supply, sewer collection and treatment or drainage. While the District anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. See "INVESTMENT CONSIDERATIONS—Undeveloped Acreage" and "—Future Debt." The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$60,520,000) should be sufficient to finance the construction of water, sewer, drainage, recreation and road facilities for full development of the District. See "THE BONDS—Issuance of Additional Debt," "THE SYSTEM," "THE ROADS," and "INVESTMENT CONSIDERATIONS—Future Debt."

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the 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 a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS."

Forestar/MWC, Pulte and Westin (each as defined below) are collectively referred to herein as the "Developers."

Forestar/MWC WCF LLC

Forestar/MWC WCF LLC ("Forestar/MWC"), a Texas limited liability company, in a venture with Johnson Development Services ("JDS"), a subsidiary of Johnson Development Corp, a Delaware corporation, has completed the development of 265 single-family residential lots on approximately 88 acres. Forestar/MWC does not own any additional developable acres within the District.

Pulte Homes of Texas, L.P.

Pulte Homes of Texas, L.P., a Texas limited partnership (“Pulte”), has developed 152 single-family residential lots on approximately 48 acres as Willow Creek Farms II, Section Two. Pulte is the sole homebuilder in such section. Pulte does not own any additional undeveloped land in the District.

Westin Homes and Properties, L.P.

Westin Homes and Properties, L.P., a Texas limited partnership (“Westin”), has developed 119 single-family residential lots on approximately 46 acres as Willow Creek Farms II, Sections Three and Four and is constructing paving on approximately 7 acres for the development of an additional 18 single-family residential lots in Willow Creek Farms II, Section Five. Westin is the sole homebuilder in Sections Three and Four. Westin does not own any additional undeveloped land in the District. Forestar/MWC is acting as a fee developer to develop the land owned by Westin.

The balance of the developable acreage in the District is owned by Pederson Road Town Center–139, LLC, Landmark Industries, and Katy Reserve, Ltd. No development activity is currently taking place on such acreage.

Obligations of the Developers

None of the Developers nor any other property owner is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. The Developers and other property owners have 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 their property within the District, or any other assets, at any time. Further, the Developers’ financial condition is subject to change at any time.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. Two (2) of the Board members reside within the District. The other three (3) board members own land within the District subject to a note and deed of trust in favor of a former developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board</u>	<u>Term Expires</u>
Mr. Mark Nelson	President	May 2020
Ms. Lauren Kinsler	Vice President	May 2018
Mr. Steven Bonjonia	Secretary	May 2018
Ms. Christi Miller	Assistant Secretary	May 2020
Mr. Seth Bounds	Assistant Vice President	May 2018

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Hilltop Securities Inc. serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's audited financial statements for the fiscal year ending June 30, 2017 have been prepared by McCall Gibson Swedlund Barfoot, PLLC. See "APPENDIX A" for a copy of the District's June 30, 2017 audited financial statements.

Engineer: The District's consulting engineer is IDS Engineering Group.

Tax Appraisal: The Waller County Appraisal District and the Fort Bend Central Appraisal District have the responsibility of appraising all property within the District located within their respective jurisdictions. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Service, LLC (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's water and wastewater system is TNG Utility Corporation (the "Operator"). Approximately 162.2 acres of the District will receive water and wastewater service from the City of Katy. See "THE SYSTEM—Development Agreement."

THE SYSTEM

Regulation

Construction and operation of the District's water, sewer and drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities within Fort Bend County is subject to the regulatory authority of the Fort Bend County Drainage District. Construction of drainage facilities within Waller County is subject to the regulatory authority of Brookshire-Katy Drainage District. Waller County, Fort Bend County, the City of Katy (in certain instances), and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

North Fort Bend Water Authority

The portion of the District located in Fort Bend County is within the boundaries of the Fort Bend 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 a portion of the area within the District. In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including a portion of the District) and a small portion of Harris County. 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 portion of the District located in Fort Bend County is included within the Authority's GRP. While the District's water wells are not located within the boundaries of the Authority, the water imported into the portion of the District located within Fort Bend County is within the Authority's boundaries, and therefore water usage in that portion of the District is subject to Authority import fees.

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 imposed on the District for groundwater pumped by or imported to the District), 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, if any, of surface water received from the Authority. (The imported water fee is equal to the fee otherwise charged by the Authority per 1,000 gallons of groundwater pumped within the Authority's boundaries.) 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 through the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty, currently \$6.50 per 1,000 gallons ("Disincentive Fees"), imposed by the Subsidence District for any groundwater withdrawn in excess of 40% 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 seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. 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.

Water Supply

Water supply for the majority of the District is provided by a water plant located within the District jointly owned by the District and Fulshear Municipal Utility District No. 3B ("Fulshear 3B"). The water plant consists of a 1,000 gallon per minute ("gpm") water well, a 500 gpm water well, two 15,000 gallon pressure tanks, two 220,000 gallon ground storage tank and five booster pumps. The District's water plant will adequately serve 2,175 equivalent single family connections including 850 equivalent single-family connections owned by Fulshear 3B. As of March 8, 2018, the District was serving 834 active residential connections (794 completed homes plus 40 homes under construction or in a builder's name).

Since the District's water wells are located in Waller County, the District's authority to pump groundwater from its water wells is subject to an annual permit issued by the Bluebonnet Groundwater Conservation District ("BGCD"), which was created to protect and recharge groundwater, to prevent pollution or waste of groundwater, to control subsidence caused by withdrawal of water from the groundwater reservoirs in the area, and to regulate the transport of water out of the boundaries of the BGCD. BGCD currently charges the District an annual permit renewal fee, as well as production fees per 1,000 gallons based on the amount of groundwater pumped by the District. The District cannot predict what regulations the BGCD may impose on the District nor the amount or level of fees and charges which may be due to the BGCD in the future, but anticipates that the costs associated with any necessary system improvements due to additional regulations or increased fees would be passed on to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. The City will serve 162.2 acres of land in the District in the future. See "Development Agreement."

Wastewater Treatment

Wastewater for the majority of the District is treated by a 240,000 gallon per day ("gpd") interim wastewater treatment plant. This facility will adequately serve 980 equivalent single-family connections. As of March 8, 2018, the District was serving 834 active residential connections (794 completed homes plus 40 homes under construction or in a builder's name). An expansion to the wastewater treatment plant is currently underway and is expected to be completed in the second quarter of 2018. The expansion will add an additional 240,000 gpd of capacity for a combined total of 480,000 gpd that will adequately serve 1,960 equivalent single-family connections. Upon completion of the current expansion, 725 equivalent single-family connections of capacity in the wastewater treatment plant will be co-owned with Fulshear Municipal Utility District No. 3B. The City will serve 162.2 acres of land in the District in the future. See "Development Agreement."

Development Agreement

Effective November 15, 2016, the District entered into a Development Agreement (the "Development Agreement") with the City of Katy, Texas (the "City"). Pursuant to the Development Agreement, the City agrees to provide certain services to approximately 162.2 acres of land within the District (the "Development Tract") which will be developed for commercial and single-family residential purposes.

The City will provide the necessary water supply and wastewater treatment plant capacity to serve the Development Tract. To date no development has occurred on the Development Tract. As the Development Tract facilities are acquired and constructed, the District will convey the same to the City for ownership and maintenance. The City will also accept for ownership and maintenance road projects constructed within the Development Tract. The District will continue to own and maintain storm water detention facilities, park and recreational facilities, and all other facilities owned by the District located outside the boundaries of the Development Tract.

The City will provide services to users within the Development Tract at rates that are equal to those charged to other similar users served by the City. The City will bill and collect from the Development Tract customers, with all revenues belonging exclusively to the City. The City will also provide garbage and recycling services to the customers located in the Development Tract at the same rates as those charged to other customers located within the City.

The City will also provide police protection and related emergency response services (collectively, the “Emergency Services”) for the entirety of the District for an annual payment of \$275,000 which is due each year on October 1st. Provision of Emergency Services commenced on December 1, 2016. At such time as the City begins collecting its share of the Sales and Use Tax revenue from the Development Tract, pursuant to the terms of the Strategic Partnership Agreement, the City will credit such amount to the annual Emergency Services payment due for the following year. The District will be responsible for paying the balance of the Emergency Services payment due, if any. The District will continue to rely on fire and emergency medical services provided by Waller-Harris Emergency Services District No. 200, unless and until the District has taken the necessary steps for fire plan approval by the TCEQ and held an election within the boundaries of the District authorizing the District to obtain fire services from the City.

The Agreement will remain in effect until the earlier of (i) annexation by and the dissolution of the District by the City of Katy; or (ii) the expiration of 45 years from the date hereof.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,133 single-family residential lots in the District. See “THE DISTRICT—Land Use.”

Drainage

The drainage system for the residential development within the District consists of curb and gutter streets with underground storm sewers. The storm sewers discharge to District detention basins or conveyance channels located within the District, which drain into Willow Fork of Buffalo Bayou. In addition, the District completed detention facilities within the District and adjacent to Willow Fork to store excess flow from Willow Fork, offsetting the impact of development within the District.

100-Year Flood Plain

There are currently no developable areas within the District officially within the 100-year flood plain according to the Federal Emergency Management (“FEMA”) Flood Insurance Rate Maps and the Engineer. Approximately 8 acres of undeveloped land within the District that is located east of Pederson Road along Willow Fork may be developed within the 100-year floodplain upon application to FEMA and its subsequent approval of a Letter of Map Revision or a Letter of Map Amendment. With the exception of such 8 acres, the District lies within areas determined to be outside the 100-year flood plain. See “INVESTMENT CONSIDERATION—Hurricane Harvey.”

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Water and Wastewater Operations

The Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from operations of the District's water and wastewater system, if any, are available for any legal purpose, including the payment of debt service on the Outstanding Bonds and the Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Outstanding Bonds and the Bonds.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the years ending June 30, 2014 through 2017 and an unaudited summary provided by the District's Bookkeeper for the period ending February 28, 2018. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended				
	7/1/2017 to 2/28/2018 (a)	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Revenues:					
Property Taxes	\$ 511,875	\$ 523,305	\$ 403,016	\$ 501,504	\$ 405,610
Water Service	253,222	313,683	286,242	245,354	276,936
Wastewater Service	271,758	376,107	353,830	291,173	164,266
Groundwater Conservation District Fees	-	-	-	-	-
Penalty and Interest	7,148	15,839	12,769	10,156	7,181
Tap Connection and Inspection Fees	31,500	102,925	91,294	124,375	220,700
Investment Revenues	10,710	-	-	-	2,022
Miscellaneous Revenues	4,073	29,377	27,583	24,885	37,642
Total Revenue	\$ 1,090,287	\$ 1,361,236	\$ 1,174,734	\$ 1,197,447	\$ 1,114,357
Expenditures:					
Service Operations:					
Professional Fees	\$ 137,228	\$ 214,162	\$ 236,853	\$ 208,539	\$ 250,939
Contracted Services	210,044	418,863	179,972	151,313	100,942
Conservation District Costs	-	-	-	-	-
Utilities	25,977	64,141	68,237	65,044	52,632
Repairs and Maintenance	132,982	250,453	232,276	161,534	129,432
Other	600,573 (b)	294,066	289,216	170,673	198,289
Total Expenditures	\$ 1,106,804	\$ 1,241,685	\$ 1,006,554	\$ 757,103	\$ 732,234
NET REVENUES	\$ (16,517)	\$ 119,551	\$ 168,180	\$ 440,344	\$ 382,123
Other Financing Sources	\$ -	\$ 44,062	\$ 31,236	\$ 40,393	\$ 36,839
General Operating Fund					
Balance (Beginning of Year)	\$ 1,768,227	\$ 1,604,614	\$ 1,405,198	\$ 924,461	\$ 505,499
General Operating Fund					
Balance (End of Year)	\$ 1,751,710	\$ 1,768,227	\$ 1,604,614	\$ 1,405,198	\$ 924,461

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

(b) Includes approximately \$63,640 for smart meters and approximately \$363,862 for the Wastewater Treatment Plant Expansion Phase 3.

THE ROADS

The District is primarily served by three major thoroughfares, Kingsland Boulevard, Pederson Road and Jordan Ranch Boulevard, which provide direct access to Interstate 10 for residents of the District. The internal subdivision streets direct residents to Kingsland Boulevard or Jordan Ranch Boulevard. Kingsland Boulevard, Pederson Road and Jordan Ranch Boulevard are designated major thoroughfares on the Waller and Fort Bend Counties' respective major thoroughfares plans. Kingsland Boulevard and Jordan Ranch Boulevard consist of 4 lanes within a 100-foot wide public right-of-way. Pederson Road is currently only 2 lanes within a 60-foot wide public right-of-way. However, Pederson Road will ultimately become a 4-lane roadway within a minimum of 100-foot wide public right-of-way. Pederson Road and Jordan Ranch Boulevard have direct exits from Interstate 10, providing a shorter commute to the nearby cities of Houston, Katy, and Brookshire. Waller County and Fort Bend County are responsible for ongoing maintenance of public roads in the District that are located within their respective boundaries. A portion of the proceeds from the Bonds will be expended to reimburse Forestar for the construction of certain paving within Willow Creek Farms II, Section One and Six, to finance construction of a segment of Jordan Ranch Boulevard, and engineering and platting costs associated with Texas Heritage Parkway. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Transportation Development Agreement

The District and Waller County, through the initial funding by former developers of the District, RH of Texas and Ashton Houston Residential LLC, agreed to share in certain transportation improvements (the "Project") within the District. The District entered into the Transportation Development Agreement with Waller County, Texas (the "County") and RH of Texas and Ashton on October 26, 2007, as amended by a first supplement to Transportation Development Agreement effective December 18, 2013 (collectively referred to as the "Transportation Development Agreement"). The Project applicable to the Transportation Development Agreement consists of the roadway improvements to Kingsland Boulevard, including paving one-half of the full concrete boulevard section from Pederson Road west to the eastern boundary of the drainage channel that serves the District, as well as the associated right of way, lighting, and drainage facilities, as required by Waller County. The Project is complete and Waller County has accepted ownership and maintenance of the Project in the same manner and to the same extent it owns and maintains Waller County owned roads and related road facilities in other unincorporated areas of Waller County. The District retained ownership of and maintenance responsibility for the lighting and drainage facilities associated with the Project, until otherwise agreed to by the District and Waller County.

The District agreed to reimburse RH of Texas and Ashton Residential Houston LLC for the entire cost of the Project (the "Project Costs") with the proceeds from future bonds. To reimburse the District for the County's share of the Project Costs, Waller County agreed to pay, subject to appropriation, the District an annual payment (the "Annual Payment"), subject to appropriation, equal to a portion of the ad valorem taxes levied and collected by Waller County in future years on the assessed valuation of the real property and improvements within the District. The Annual Payment is calculated at a rate of \$0.20 per \$100 of assessed valuation of the tax revenues actually levied and collected by Waller County on the "captured appraised value," exclusive of any interest and penalties paid by the taxpayer to Waller County and exclusive of any collections costs incurred by Waller County. "Captured appraised value" is defined in the agreement as the total appraised value of the real property and improvements taxable by Waller County and located in the District for a given year, as certified by Waller County Appraisal District, less the "tax increment base." The "tax increment base" is the total appraised value of all real property and improvements taxable by Waller County located in the District as of January 1, 2007, as certified by the Waller County Appraisal District, which was \$4,633,030.

The Transportation Development Agreement indicates that the Annual Payment will begin on May 1 in the calendar year following the calendar year in which the District issues its initial series of bonds used to pay for the Project Costs and is payable each May 1, with each such payment being applicable to the preceding calendar year. On September 1 of each calendar year, Waller County will cause to be paid to the District the portion of the Annual Payment which reflects collections made by Waller County subsequent to May 1. The Annual Payment will continue for such number of years as required to accumulate sufficient funds to amortize the bonds or other debt (including the costs of issuance and interest on such bonds or other debt). Waller County reserves the option to prepay its obligations under the Transportation Development Agreement at any time without penalty. In addition, the District agrees to refinance or retire any bond issue to pay for the Project Costs as requested by Waller County if such refinancing or retirement is in the mutual financial or other benefit of both Waller County and the District.

The District issued its \$1,680,000 Unlimited Tax Road Bonds, Series 2012 to reimburse RH of Texas and Ashton for the Project Costs. The total amount necessary to satisfy Waller County's obligation to the District under the Transportation Development Agreement is \$1,471,734. Waller County's initial Annual Payment was due in 2012. Waller County has made Annual Payments of \$85,559 (2012), \$126,726 (2013), \$213,395 (2014), \$150,000 (2015), and \$370,173 (2016) for 2012 through 2016, respectively. The payment made in connection with the 2015 obligations was \$166,627 less than the amount due pursuant to the Transportation Development Agreement due to Waller County's failure to appropriate adequate funds to fulfill the 2015 Annual Payment obligation. While Waller County does not intend to supplement the deficit in the 2015 Annual Payment, the deficit amount will ultimately be paid via an extension of the time over which Waller County is obligated to make Annual Payments in order to reach the ultimate payment obligation of \$1,471,734 pursuant to the terms of the Transportation Development Agreement. The projected Annual Payment for 2017 (due May 1, 2018) is \$413,989. Following payment of the projected Annual Payment for 2017 (and taking into consideration the partial 2015 Annual Payment), Waller County will have a remaining payment obligation under the Transportation Development Agreement in the amount of \$111,892. See "INVESTMENT CONSIDERATIONS—Waller County Annual Payment Delinquency."

All Annual Payments received by the District from Waller County will be deposited by the District into the Road Debt Service Fund of the District and be applied solely to amortize the District's outstanding road bonds, and for no other purpose. The annual payments are not pledged to the payment of the interest on or principal of the District's Water, Sewer and Drainage Bonds. See "THE BONDS—Source of Payment."

Texas Heritage Parkway Agreement

Effective March 6, 2018, Fort Bend County (the "County") entered into an Agreement for Regional Road Improvements (the "Road Agreement") with nine private developers detailing the manner in which a major thoroughfare to be named Texas Heritage Parkway ("Texas Heritage Parkway") would be designed, financed, and constructed. Upon completion, Texas Heritage Parkway will be a major north-south thoroughfare extending from Interstate 10 at Pederson Road to approximately 2,100 feet south of the intersection with FM 1093, with a portion of Texas Heritage Parkway bisecting the District in the location of current Pederson Road. Landmark Industries ("Landmark"), as the owner of the property in the District necessary for the completion of Texas Heritage Parkway, executed the Road Agreement committing to fund the design and construction of the portion of Texas Heritage Parkway within the District's boundaries (8.9%), subject to reimbursement pursuant to the terms of the Utility Financing Agreement dated June 10, 2009, between the District and Pederson Farms, Inc., as assigned to Landmark pursuant to the Assignment dated May 22, 2015. The total current estimated cost for design and construction of the portion of Texas Heritage Parkway located within the District's boundaries is \$2,466,181.53, with the \$507,021.00 allocated to Texas Heritage Parkway in this issuance being intended to fund full design of the project.

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FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2017 Certified Taxable Assessed Valuation.....	\$222,488,568 (a)
Estimated Taxable Assessed Valuation as of February 1, 2018	\$234,273,981 (b)
Gross Direct Debt Outstanding	\$29,680,000 (c)
Estimated Overlapping Debt	<u>10,222,166 (d)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$39,902,166
Ratios of Gross Direct Debt to:	
2017 Certified Taxable Assessed Valuation.....	13.34%
Estimated Taxable Assessed Valuation as of February 1, 2018	12.67%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2017 Certified Taxable Assessed Valuation.....	17.93%
Estimated Taxable Assessed Valuation as of February 1, 2018	17.03%
Funds Available for Debt Service:	
Water, Sewer and Drainage Debt Service Fund Balance as of March 8, 2018	\$2,171,456 (e)
Road Debt Service Fund Balance as of March 8, 2018.....	<u>649,498 (e)</u>
Total Funds Available for Debt Service	\$2,820,954 (e)
Operating Funds Available as of March 8, 2018.....	\$2,603,703 (f)
Water, Sewer and Drainage Capital Project Funds Available as of March 8, 2018	\$1,167,648

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- (a) As certified by the Waller County Appraisal District (\$217,083,167) and the Fort Bend Central Appraisal District (\$5,405,401). Collectively, the “Appraisal Districts.”
 - (b) Provided by the Appraisal Districts (\$225,000,000 in Waller County and \$9,273,981 in Fort Bend County) as of February 1, 2018 for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on the respective dates. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
 - (c) After the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
 - (d) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt.”
 - (e) Although all of the District’s debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District’s ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities (“Water, Sewer and Drainage Bonds”) and a pro rata portion will be allocated to the bonds sold for road facilities (“Road Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The Road Debt Service Fund is not pledged to the Outstanding Water, Sewer and Drainage Bonds nor will funds deposited into the Water, Sewer and Drainage Debt Service Fund be pledged to the Bonds or the Outstanding Road Bonds.
 - (f) Includes approximately \$570,104 advanced on behalf of the Developers for Phase 3 of the wastewater treatment plant expansion.

Investments of the District

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

Outstanding Bonds

The District has previously issued \$24,190,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in six series, \$3,980,000 principal amount of unlimited tax bonds for roads and related improvements in two series, and \$4,360,000 principal amount of unlimited tax refunding bonds in two series, \$26,680,000 of which collectively remains outstanding (the “Outstanding Bonds”).

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds</u>
2010	\$ 3,590,000	\$ 660,000
2012 (a)	1,680,000	40,000
2013	2,500,000	2,260,000
2014	4,000,000	3,700,000
2014 (a)	2,300,000	2,005,000
2015	3,500,000	3,350,000
2016 (b)	1,535,000	1,525,000
2016 (c)	2,825,000	2,805,000
2016A	6,800,000	6,535,000
2017	3,800,000	3,800,000
Total	\$ 32,530,000	\$ 26,680,000

- (a) Unlimited tax road bonds.
- (b) Unlimited tax road refunding bonds.
- (c) Unlimited tax refunding bonds.

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Debt Service Requirements

The following sets forth the actual debt service on the Outstanding Bonds (see “Outstanding Bonds” in this section) and the Bonds.

Year	Outstanding Debt Service	Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2018	\$ 1,415,568.75 (a)	\$ -	\$ 35,833.33	\$ 35,833.33	\$ 1,451,402.08
2019	1,823,605.00	125,000	107,500.00	232,500.00	2,056,105.00
2020	1,815,675.00	125,000	101,250.00	226,250.00	2,041,925.00
2021	1,806,303.75	125,000	95,000.00	220,000.00	2,026,303.75
2022	1,794,336.25	125,000	88,750.00	213,750.00	2,008,086.25
2023	1,779,861.25	125,000	82,500.00	207,500.00	1,987,361.25
2024	1,779,031.25	125,000	78,125.00	203,125.00	1,982,156.25
2025	1,762,642.50	125,000	74,375.00	199,375.00	1,962,017.50
2026	1,750,240.00	125,000	70,625.00	195,625.00	1,945,865.00
2027	1,740,867.50	125,000	66,875.00	191,875.00	1,932,742.50
2028	1,734,655.00	125,000	63,125.00	188,125.00	1,922,780.00
2029	1,711,721.25	125,000	59,375.00	184,375.00	1,896,096.25
2030	1,697,608.75	125,000	55,625.00	180,625.00	1,878,233.75
2031	1,676,322.50	125,000	51,875.00	176,875.00	1,853,197.50
2032	1,668,585.00	125,000	47,968.75	172,968.75	1,841,553.75
2033	1,651,278.75	125,000	43,906.25	168,906.25	1,820,185.00
2034	1,632,522.50	125,000	39,843.75	164,843.75	1,797,366.25
2035	1,622,383.75	125,000	35,625.00	160,625.00	1,783,008.75
2036	1,604,476.25	125,000	31,406.25	156,406.25	1,760,882.50
2037	1,325,350.00	125,000	27,031.25	152,031.25	1,477,381.25
2038	1,307,531.25	125,000	22,656.25	147,656.25	1,455,187.50
2039	618,425.00	125,000	18,125.00	143,125.00	761,550.00
2040	599,762.50	125,000	13,593.75	138,593.75	738,356.25
2041	436,100.00	125,000	9,062.50	134,062.50	570,162.50
2042	423,050.00	125,000	4,531.25	129,531.25	552,581.25
Total	\$ 37,177,903.75	\$ 3,000,000	\$ 1,324,583.33	\$ 4,324,583.33	\$ 41,502,487.08

(a) Excludes the March 1, 2018 debt service payment in the amount of \$386,038.

Average Annual Debt Service Requirements (2019-2042)	\$1,668,795
Maximum Annual Debt Service Requirement (2019)	\$2,056,105

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Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Waller County (a).....	\$ 12,998,000	12/31/17	5.11%	\$ 664,198
Katy Independent School District	1,606,576,791	08/31/17	0.59%	9,478,803
Lamar Consolidated Independent School District.....	791,650,000	08/31/17	0.01%	<u>79,165</u>
Total Estimated Overlapping Debt.....				\$10,222,166
The District's Total Direct Debt (b)				<u>29,680,000</u>
Total Direct and Estimated Overlapping Debt				\$39,902,166
Direct and Estimated Overlapping Debt as a Percentage of:				
2017 Certified Taxable Assessed Valuation of \$222,488,568				17.93%
Estimated Taxable Assessed Valuation as of February 1, 2018 of \$234,273,981				17.03%

- (a) Approximately 66 acres of the District (\$5,405,401 of 2017 Certified Taxable Assessed Valuation and \$9,273,981 of Estimated Taxable Assessed Valuation as of February 1, 2018) is located in Fort Bend County.
- (b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

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

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

	<u>Tax Rate Per \$100 Taxable Assessed Valuation</u>
Waller County (a).....	\$0.617330
Katy Independent School District (b).....	<u>1.516600</u>
Total Overlapping Tax Rate	\$2.233930
The District.....	<u>1.010000</u>
Total Tax Rate	\$3.243930

- (a) A small portion of the District is located within Fort Bend County which levied a 2017 tax rate in the amount of \$0.453.
- (b) A small portion of the District is located within Lamar Consolidated Independent School District which levied a 2017 tax rate in the amount of \$1.390 per \$100 of taxable assessed valuation.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 6, 2007, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

Historical Tax Rate Distribution

	<u>2017</u>	(a) <u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Service Tax	\$ 0.77	\$ 0.820	\$ 0.90	\$ 0.80	\$ 0.67
Maintenance Tax	<u>0.24</u>	<u>0.275</u>	<u>0.25</u>	<u>0.45</u>	<u>0.58</u>
Total District Tax Rate	\$ 1.01	\$ 1.095	\$ 1.15	\$ 1.25	\$ 1.25

(a) \$0.02 per \$100 of taxable assessed valuation of the 2017 debt service tax rate is allocated to Road Bonds and \$0.75 per \$100 of taxable assessed valuation is allocated to Water, Sewer and Drainage Bonds.

Tax Exemptions

The District has not granted an exemption for persons disabled or over 65 years of age.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Taxes are due October 1 or when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

	Net Certified Taxable			Collections as of	
	Assessed	Tax	Total	<u>February 28, 2018 (d)</u>	
	<u>Valuation (a)</u>	<u>Rate</u>	<u>Tax Levy(b)</u>	<u>Amount</u>	<u>Percent</u>
2013	\$ 69,245,621	\$ 1.250	\$ 865,570	\$ 865,570	100.00%
2014	112,505,377	1.250	1,406,317	1,406,317	100.00%
2015	159,570,668	1.150	1,835,063	1,835,063	100.00%
2016	190,768,079	1.095	2,088,651	2,081,597	99.66%
2017	222,488,568	1.010 (c)	2,247,134	2,195,155	97.69%

- (a) Net valuation represents final gross appraised value as certified by the Appraisal Districts less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal Districts, as of the date hereof.
- (c) Of the total 2017 debt service tax rate, \$0.02 of the 2017 debt service tax rate is allocated to Road Bonds and \$0.75 is allocated to Water, Sewer and Drainage Bonds.
- (d) Unaudited.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2013 through 2017 Certified Assessed Valuations. No tax will be levied on either preliminary or estimated values. Taxes are levied on taxable value certified by the Appraisal Districts as of January 1 of each year. A breakdown related to the Estimated Taxable Assessed Valuation as of February 1, 2018 of \$234,273,981 is not available.

Tax Roll Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Net Assessed Valuations
	Land	Improvements	Personal Property			
2013	\$ 21,769,760	\$ 47,960,855	\$ 797,729	\$ 70,528,344	\$ (1,282,723)	\$ 69,245,621
2014	26,957,660	86,260,309	1,173,957	114,391,926	(1,886,549)	112,505,377
2015	31,140,540	129,728,011	1,743,693	162,612,244	(3,041,576)	159,570,668
2016	43,816,660	149,054,797	2,414,578	195,286,035	(4,517,956)	190,768,079
2017	46,071,973	178,764,933	3,125,364	227,962,270	(5,473,702)	222,488,568

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property’s taxable assessed value as a percentage of the 2017 Certified Taxable Assessed Valuation of \$222,488,568. This represents ownership as of January 1, 2017. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of February 1, 2018 of \$234,273,981 is not available.

Taxpayer	2017 Certified Taxable Assessed Valuation	
	Taxable Assessed Valuation	% of Taxable Assessed Valuation
Anglia Homes LP	\$ 1,884,640	0.85%
Westin Homes and Properties LP (a)	1,762,272	0.79%
Sandhurst Investments LP	1,470,000	0.66%
Pulte Homes of Texas LP (a)	1,466,386	0.66%
Forestar/MWC WCF LLC (a)	1,460,770	0.66%
Individual	416,980	0.19%
Individual	416,640	0.19%
Individual	406,480	0.18%
Individual	404,980	0.18%
Individual	388,040	0.17%
	<u>\$ 10,077,188</u>	<u>4.53%</u>

(a) See “THE DEVELOPERS.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2017 Certified Taxable Assessed Valuation of \$222,488,568 or the Estimated Taxable Assessed Valuation as of February 1, 2018 of \$234,273,981. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2019-2042)	\$1,668,795
\$0.79 Tax Rate on 2017 Certified Taxable Assessed Valuation.....	\$1,669,777
\$0.75 Tax Rate on Estimated Taxable Assessed Valuation as of February 1, 2018	\$1,669,202
Maximum Annual Debt Service Requirement (2019).....	\$2,056,105
\$0.98 Tax Rate on 2017 Certified Taxable Assessed Valuation.....	\$2,071,369
\$0.93 Tax Rate on Estimated Taxable Assessed Valuation as of February 1, 2018	\$2,069,811

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal Districts as of February 1, 2018, for the District will be certified as taxable value by the Appraisal Districts, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. 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. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads 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 before July 1.

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

Tax Abatement

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

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. 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 all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal Districts at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal Districts choose formally to include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts 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 value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service 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 as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of 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 INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes". 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 subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) contains certain 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 liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding 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 FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Katy, Waller County, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by 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 taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

Hurricane Harvey

The Houston area, including Waller County and Fort Bend County, sustained widespread flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 85 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to flooding caused by hurricanes, tropical storms, and other tropical disturbances.

According to the Operator and the Engineer, the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service. However, according to the Operator and the Engineer, approximately 18 homes within Willow Creek Farms I, Sections Two and Four experienced isolated structural flooding. According to the Operator, Forestar/MWC, Pulte and Westin no homes experienced structural flooding in any other sections located within the District.

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

Certain qualified tax payers, including owners of residential homesteads, located within a disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center 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 such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 36 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 36 miles from downtown Houston, could be affected by competition from other residential developments including other residential developments located in the west Houston and Katy metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and of builders 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 directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2017 Certified Taxable Assessed Valuation is \$222,488,568. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,056,105 (2019), and the average annual debt service requirement will be \$1,668,795 (2019-2042 inclusive). Assuming no increase or decrease from the 2017 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.98 and \$0.79 per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

The Estimated Taxable Assessed Valuation as of February 1, 2018 is \$234,273,981, which reduces the above calculations to \$0.93 and \$0.75, respectively. While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Property within the District also is subject to taxes levied by other political subdivisions. See "TAX DATA—Tax Adequacy for Debt Service."

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) —Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue additional bonds and other obligations, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters have authorized a total of \$23,500,000 principal amount of unlimited tax bonds for financing roads and related improvements and refunding bonds issued for such purpose, \$57,230,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding bonds issued for such purpose, and \$11,375,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding bonds issued for such purpose. After the issuance of the Bonds, the District will have \$16,450,000 principal amount of unlimited tax bonds for financing roads and related improvements and refunding bonds issued for such purpose, \$32,745,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding bonds issued for such purpose, and \$11,375,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities

and refunding bonds issued for such purpose. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional authorized but unissued obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the 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. The District has authorized preparation of a bond application to the TCEQ requesting authorization to issue approximately \$4,300,000 principal amount of unlimited tax bonds. The District anticipates approval and issuance of such bonds in the fall of 2018. See "THE BONDS—Issuance of Additional Debt."

To date, the Developers have advanced certain funds for construction of water, sewer and drainage facilities and roads for which they have not been reimbursed. The District continues to owe the Developers approximately \$15,000,000 for roads and related improvements and water, sewer and drainage facilities. The District intends to issue additional bonds in order to fully reimburse the Developers and to develop the remainder of undeveloped but developable land. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sewer and drainage facilities and parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, the principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's certified value.

Waller County Annual Payment Delinquency

The District and Waller County, through the initial funding by former developers of the District, RH of Texas and Ashton Houston Residential LLC, agreed to share in certain transportation improvements (the "Project") within the District. The District entered into the Transportation Development Agreement with Waller County, Texas (the "County") and RH of Texas and Ashton Houston Residential LLC on October 26, 2007, as amended by a first supplement to Transportation Development Agreement effective December 18, 2013 (collectively referred to as the "Transportation Development Agreement").

The District agreed to reimburse RH of Texas and Ashton Residential Houston LLC for the entire cost of the Project (the "Project Costs") with the proceeds from future bonds. To reimburse the District for the County's share of the Project Costs, Waller County agreed to pay subject to appropriation the District an annual payment (the "Annual Payment"), subject to appropriation, equal to a portion of the ad valorem taxes levied and collected by Waller County in future years on the assessed valuation of the real property and improvements within the District. The Annual Payment is calculated at a rate of \$0.20 per \$100 of assessed valuation of the tax revenues actually levied and collected by Waller County on the "captured appraised value," exclusive of any interest and penalties paid by the taxpayer to Waller County and exclusive of any collections costs incurred by Waller County. "Captured appraised value" is defined in the agreement as the total appraised value of the real property and improvements taxable by Waller County and located in the District for a given year, as certified by Waller County Appraisal District, less the "tax increment base." The "tax increment base" is the total appraised value of all real property and improvements taxable by Waller County located in the District as of January 1, 2007, as certified by the Waller County Appraisal District, which was \$4,633,030.

The Transportation Development Agreement indicates that the Annual Payment will begin on May 1 in the calendar year following the calendar year in which the District issues its initial series of bonds used to pay for the Project Costs and is payable each May 1, with each such payment being applicable to the preceding calendar year. On September 1 of each calendar year, Waller County will cause to be paid to the District the portion of the Annual Payment which reflects collections made by Waller County subsequent to May 1. The Annual Payment will continue for such number of years as required to accumulate sufficient funds to amortize the bonds or other debt (including the costs of issuance and interest on such bonds or other debt). The total amount to be paid by Waller County under the Transportation Development Agreement is \$1,400,000. Waller County reserves the option to prepay its obligations under the Transportation Development Agreement at any time without penalty. In addition, the District agrees to refinance or retire any bond issue to pay for the Project Costs as requested by Waller County if such refinancing or retirement is in the mutual financial or other benefit of both Waller County and the District.

The District issued its \$1,680,000 Unlimited Tax Road Bonds, Series 2012 to reimburse RH of Texas and Ashton for the Project Costs. The total amount necessary to satisfy Waller County's obligation to the District under the Transportation Development Agreement is \$1,471,734. Waller County's initial Annual Payment was due in 2012. Waller County has made Annual Payments of \$85,559 (2012), \$126,726 (2013), \$213,395 (2014), \$150,000 (2015), and \$370,173 (2016) for 2012 through 2016, respectively. The payment made in connection with the 2015 obligations was \$166,627 less than the amount due pursuant to the Transportation Development Agreement due to Waller County's failure to appropriate adequate funds to fulfill the 2015 Annual Payment obligation. While Waller County does not intend to supplement the deficit in the 2015 Annual Payment, the deficit amount will ultimately be paid via an extension of the time over which Waller County is obligated to make Annual Payments in order to reach the ultimate payment obligation of \$1,471,734 pursuant to the terms of the Transportation Development Agreement. The projected Annual Payment for 2017 (due May 1, 2018) is \$413,989. Following payment of the projected Annual Payment for 2017 (and taking into consideration the partial 2015 Annual Payment), Waller County will have a remaining payment obligation under the Transportation Development Agreement in the amount of \$111,892.

Undeveloped Acreage and Vacant Lots

There are approximately 130 developable acres of land within the District (excluding approximately 7 acres under construction for the development of 18 single-family residential lots) that have not been provided with water, sanitary sewer, storm sewer, park, road and other facilities, most of which are available for the construction of taxable improvements. In addition, there are 299 vacant developed lots. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See “THE DISTRICT—Land Use—Status of Development.”

Environmental and Air Quality Regulation

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 Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 “eight-hour” ozone standards (“the 1997 Ozone Standards”). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas’s redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the 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 August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

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) on February 19, 2013. The TPDES Construction General Permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load (“TMDL”) of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district’s ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers (“USACE”) jointly issued a final version of the Clean Water Rule (“CWR”), which expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit put the CWR on hold nationwide. On January 22, 2018, the United States Supreme Court held that challenges to the CWR must proceed in federal district court as they do not fall within one of the CWA’s enumerated categories of EPA actions for which the federal courts of appeal have jurisdiction. On February 6, 2018, the states of Texas, Louisiana, and Mississippi filed a lawsuit in federal district court seeking an injunction enjoining the implementation and enforcement of the CWR.

On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR, reinstating language in place before 2015 changes, and proposing the development of a revised definition of “waters of the United States.” This proposed rule was published in the Federal Register on July 27, 2017, the comment period ended on September 28, 2017, and comments are currently under review by the agencies. The EPA plans to issue a proposed new regulation in the spring of 2018, and finalize the revised rule by the end of 2018. On January 31, 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR by two years from the date the rule is published in the Federal Register, until 2020. In response, a coalition of states filed a lawsuit in the U.S. District Court for the Southern District of New York alleging the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period. If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the “waters of the United States.”

A portion of the District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer System (the “MS4 Permit”), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, at the direction of the TCEQ the District will develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future.

Marketability of the Bonds

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into this agreement, the Insurer was rated “AA” (stable outlook) by S&P and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). See “MUNICIPAL BOND INSURANCE.”

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

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

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

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.

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 retroactive to the date of original issuance. See “TAX MATTERS.”

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service (“Moody’s”) are expected to assign municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds, each with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying credit rating of “Baa2” to the Bonds. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At December 31, 2017::

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

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

Incorporation of Certain Documents by Reference

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

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

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

Miscellaneous Matters

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied 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 Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT—General,” “THE SYSTEM—Development Agreement,” “THE ROADS—Transportation Development Agreement,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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 Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that (a) the 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 or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

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

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

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Hilltop Securities Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Hilltop Securities Inc. has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Utility Tax Service, LLC, and is included herein in reliance upon as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "THE ROADS" and "THE SYSTEM" has been provided by IDS Engineering Group, Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's audited financial statement for the fiscal year ending June 30, 2017, was prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See APPENDIX A.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by Myrtle Cruz, Inc., and is included herein in reliance upon the authority of such individual as an expert in tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"), or any successor to its functions as a repository, through its Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB through its EMMA System. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "THE SYSTEM," "TAX DATA," and in APPENDIX A (Financial Statement of the District and Certain Supplemental Schedules). 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 financial statements provided by the District 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 completed within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six month period and audited financial statements when the audited report becomes available.

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

Specified Event Notices

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

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with 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 Registered and Beneficial Owners of the Bonds. The District may 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" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

/s/ Mark Nelson
President, Board of Directors

ATTEST:

/s/ Steven Bonjonia
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(Approximate boundaries as of March 2018)



PEDERSON RD.

INTERSTATE 10

IGLOO RD.

WILLOW CREEK
FARMS MUNICIPAL
UTILITY DISTRICT

KINGSLAND BLYD.

JORDAN RANCH BLYD.



PHOTOGRAPHS OF THE DISTRICT
(Taken February 2018)















APPENDIX A

Financial Statement of the District for the year ended June 30, 2017

The information contained in this appendix includes the Annual Audit Report of Willow Creek Farms Municipal Utility District and certain supplemental information for the fiscal year ended June 30, 2017.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT

WALLER AND FORT BEND COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT

WALLER AND FORT BEND COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willow Creek Farms Municipal Utility District
Waller and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Willow Creek Farms Municipal Utility District (the "District"), as of and for the year ended June 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 12, 2017

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Management's discussion and analysis of Willow Creek Farms Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide financial statements is the Statement of Net Position. 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, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$11,260,578 as of June 30, 2017. A portion of the District's net position reflects its net investment in capital and intangible assets (water, wastewater, drainage facilities, roads and infrastructure, less any debt used to acquire those assets that is still outstanding). The following is a comparative summary of the Statement of Net Position as of June 30, 2017 and June 30, 2016.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 6,644,011	\$ 4,049,351	\$ 2,594,660
Capital Assets (Net of Accumulated Depreciation)	<u>20,815,871</u>	<u>19,720,632</u>	<u>1,095,239</u>
Total Assets	<u>\$ 27,459,882</u>	<u>\$ 23,769,983</u>	<u>\$ 3,689,899</u>
Deferred Outflows of Resources	<u>\$ 368,942</u>	<u>\$ 387,999</u>	<u>\$ (19,057)</u>
Due to Developer	\$ 14,461,912	\$ 16,891,857	\$ 2,429,945
Bonds Payable	23,825,110	17,400,716	(6,424,394)
Other Liabilities	<u>802,380</u>	<u>410,484</u>	<u>(391,896)</u>
Total Liabilities	<u>\$ 39,089,402</u>	<u>\$ 34,703,057</u>	<u>\$ (4,386,345)</u>
Net Position:			
Net Investment in Capital Assets	\$ (16,212,600)	\$ (14,182,617)	\$ (2,029,983)
Restricted	2,635,476	2,010,681	624,795
Unrestricted	<u>2,316,546</u>	<u>1,626,861</u>	<u>689,685</u>
Total Net Position	<u>\$ (11,260,578)</u>	<u>\$ (10,545,075)</u>	<u>\$ (715,503)</u>

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

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,088,875	\$ 1,835,281	\$ 253,594
Charges for Services	817,336	752,685	64,651
Other Revenues	<u>772,761</u>	<u>337,720</u>	<u>435,041</u>
Total Revenues	<u>\$ 3,678,972</u>	<u>\$ 2,925,686</u>	<u>\$ 753,286</u>
Expenses for Services	<u>4,394,475</u>	<u>7,125,865</u>	<u>2,731,390</u>
Change in Net Position	\$ (715,503)	\$ (4,200,179)	\$ 3,484,676
Net Position, Beginning of Year	<u>(10,545,075)</u>	<u>(6,344,896)</u>	<u>(4,200,179)</u>
Net Position, End of Year	<u>\$ (11,260,578)</u>	<u>\$ (10,545,075)</u>	<u>\$ (715,503)</u>

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2017, were \$4,937,861, an increase of \$1,314,002 from the prior year.

The District's General Fund fund balance increased by \$163,613, primarily due to increased tax revenues as a result of an increase in the total assessed value, and an increase in service revenues as a result of growth in the District.

The Debt Service Fund fund balance increased by \$849,459, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increase of \$300,930 was attributable to surplus Series 2016A bond proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to increase the budgeted amounts for tax revenues. Actual revenues were \$101,066 more than budgeted revenues primarily due to higher than anticipated tax and service revenues. Actual expenditures were \$62,985 more than budgeted expenditures primarily due to professional fees and repairs and maintenance costs coming in higher than anticipated.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of June 30, 2017, total \$20,815,871 (net of accumulated depreciation) and include land and paving as well as the water, wastewater and drainage systems. Roads are conveyed to Waller County and Fort Bend County.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,960,967	\$ 1,960,967	\$
Capital Assets, Net of Accumulated Depreciation:			
Water System	5,033,122	4,257,724	775,398
Wastewater System	5,031,014	4,573,536	457,478
Drainage System	8,790,768	8,498,562	292,206
Total Net Capital Assets	\$ 20,815,871	\$ 19,290,789	\$ 1,525,082

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

LONG-TERM DEBT ACTIVITY

As of June 30, 2017, the District had total bond debt payable of \$23,715,000. The changes in the debt position of the District during the fiscal year ended June 30, 2017, are summarized as follows:

Bond Debt Payable, July 1, 2016	\$ 17,285,000
Add: Bond Sale	6,800,000
Less: Bond Principal Paid	<u>370,000</u>
Bond Debt Payable, June 30, 2017	<u>\$ 23,715,000</u>

The Series 2013, Series 2015, Series 2016 Refunding, Series 2016 Road Refunding, and Series 2016A bonds have been assigned a rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 and Series 2014 Road bonds have been assigned a rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. S&P and Moody's have assigned underlying credit ratings of "BBB-" and "Baa2", respectively. The above ratings are as of year-end and reflect any changes through that date.

As of June 30, 2017, the District recorded a liability to the Developers of \$14,461,912. This amount relates to completed construction projects and advances that the Developers have funded on behalf of the District. The District anticipates reimbursing the Developers for these costs from proceeds of future bond sales.

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 Willow Creek Farms Municipal Utility District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 172,022	\$ 2,882,717
Investments	2,621,027	
Receivables:		
Property Taxes	3,281	9,787
Penalty and Interest on Delinquent Taxes		
Service Accounts	86,262	
Accrued Interest	3,201	
Due from Waller County		
Due from Other Funds	15,338	
Prepaid Costs	10,100	
Due from Other Governmental Units	3,567	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,914,798	\$ 2,892,504
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,914,798	\$ 2,892,504

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 31,673	\$ 3,086,412	\$	\$ 3,086,412
273,688	2,894,715		2,894,715
	13,068		13,068
		1,648	1,648
	86,262		86,262
	3,201		3,201
		525,881	525,881
	15,338	(15,338)	
	10,100	19,157	29,257
	3,567		3,567
		1,960,967	1,960,967
		18,854,904	18,854,904
<u>\$ 305,361</u>	<u>\$ 6,112,663</u>	<u>\$ 21,347,219</u>	<u>\$ 27,459,882</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 368,942</u>	<u>\$ 368,942</u>
<u>\$ 305,361</u>	<u>\$ 6,112,663</u>	<u>\$ 21,716,161</u>	<u>\$ 27,828,824</u>

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 167,059	\$
Accrued Interest Payable		
Due to Other Funds		15,338
Due to Developers	897,354	
Security Deposits	78,877	
Long-Term Liabilities:		
Capital Lease Payable, Due Within One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,143,290	\$ 15,338
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 3,281	\$ 9,787
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 10,100	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,867,379
Unassigned	1,758,127	
TOTAL FUND BALANCES	\$ 1,768,227	\$ 2,867,379
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,914,798	\$ 2,892,504
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,106	\$ 170,165	\$	\$ 170,165
		243,338	243,338
	15,338	(15,338)	
	897,354	13,564,558	14,461,912
	78,877		78,877
		310,000	310,000
		835,000	835,000
		<u>22,990,110</u>	<u>22,990,110</u>
<u>\$ 3,106</u>	<u>\$ 1,161,734</u>	<u>\$ 37,927,668</u>	<u>\$ 39,089,402</u>
<u>\$ - 0 -</u>	<u>\$ 13,068</u>	<u>\$ (13,068)</u>	<u>\$ - 0 -</u>
\$ 302,255	\$ 10,100	\$ (10,100)	\$
	302,255	(302,255)	
	2,867,379	(2,867,379)	
	<u>1,758,127</u>	<u>(1,758,127)</u>	
<u>\$ 302,255</u>	<u>\$ 4,937,861</u>	<u>\$ (4,937,861)</u>	<u>\$ - 0 -</u>
<u>\$ 305,361</u>	<u>\$ 6,112,663</u>		
		\$ (16,212,600)	\$ (16,212,600)
		2,635,476	2,635,476
		<u>2,316,546</u>	<u>2,316,546</u>
		<u>\$ (11,260,578)</u>	<u>\$ (11,260,578)</u>

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances - Governmental Funds \$ 4,937,861

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 368,942

Long-term receivables are recorded in the Statement of Net Position. 525,881

Prepaid bond insurance costs are amortized over the term of the bonds. 19,157

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 20,815,871

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2016 tax levy became part of recognized revenue in the governmental activities of the District. 14,716

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	\$ (13,564,558)	
Accrued Interest Payable	(243,338)	
Bonds and Lease Payable	<u>(24,135,110)</u>	<u>(37,943,006)</u>

Total Net Position - Governmental Activities \$ (11,260,578)

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

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**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 523,305	\$ 1,562,272
Payment in Lieu of Taxes		370,173
Water Service	313,683	
Wastewater Service	376,107	
Penalty and Interest	15,839	8,192
Tap Connection and Inspection Fees	102,925	
Miscellaneous Revenues	29,377	3,535
TOTAL REVENUES	\$ 1,361,236	\$ 1,944,172
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 214,162	\$ 1,977
Contracted Services	418,863	65,984
Utilities	64,141	
Repairs and Maintenance	250,453	
Depreciation		
Other	294,066	12,648
Conveyance of Assets		
Capital Outlay		
Debt Service:		
Bond Principal		370,000
Bond Interest		644,104
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 1,241,685	\$ 1,094,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 119,551	\$ 849,459
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 44,062	\$
Proceeds from Issuance of Long-Term Debt		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 44,062	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 163,613	\$ 849,459
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2016	1,604,614	2,017,920
FUND BALANCES/NET POSITION - JUNE 30, 2017	\$ 1,768,227	\$ 2,867,379

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,085,577	\$ 3,298	\$ 2,088,875
	370,173	368,513	738,686
	313,683		313,683
	376,107		376,107
	24,031	590	24,621
	102,925		102,925
<u>1,163</u>	<u>34,075</u>		<u>34,075</u>
\$ 1,163	\$ 3,306,571	\$ 372,401	\$ 3,678,972
\$ 14,613	\$ 230,752	\$	\$ 230,752
	484,847		484,847
	64,141		64,141
	250,453		250,453
		599,213	599,213
19	306,733		306,733
		1,266,190	1,266,190
5,977,940	5,977,940	(5,977,940)	
	370,000	(370,000)	
	644,104	84,443	728,547
<u>463,599</u>	<u>463,599</u>		<u>463,599</u>
\$ 6,456,171	\$ 8,792,569	\$ (4,398,094)	\$ 4,394,475
\$ (6,455,008)	\$ (5,485,998)	\$ 4,770,495	\$ (715,503)
\$ (44,062)	\$	\$	\$
<u>6,800,000</u>	<u>6,800,000</u>	<u>(6,800,000)</u>	
\$ 6,755,938	\$ 6,800,000	\$ (6,800,000)	\$ -0-
\$ 300,930	\$ 1,314,002	\$ (1,314,002)	\$
		(715,503)	(715,503)
<u>1,325</u>	<u>3,623,859</u>	<u>(14,168,934)</u>	<u>(10,545,075)</u>
\$ 302,255	\$ 4,937,861	\$ (16,198,439)	\$ (11,260,578)

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

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds	\$ 1,314,002
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	3,298
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	590
Payment in lieu of taxes due, but not ultimately to be received until future years, are recorded in the government-wide financial statements.	368,513
Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities.	(599,213)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. Assets conveyed to other entities for ownership and maintenance are recorded as expenses.	4,711,750
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	370,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(84,443)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(6,800,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (715,503)</u>

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. CREATION OF DISTRICT

Willow Creek Farms Municipal Utility District (the “District”) was created by the Texas Legislature effective June 15, 2007, by Senate Bill 1961 (the “Enabling Legislation”). Pursuant to the Enabling Legislation and 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, sanitary sewer service, storm sewer drainage, roads, irrigation, solid waste collection and disposal, including recycling, and to construct 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 subject to certain regulatory approvals, 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 June 27, 2007, and sold its first bonds on November 30, 2010.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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:

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating 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 revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred 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. The Capital Projects Fund transferred \$44,062 to the General Fund to reimburse the General Fund for bond related costs. At year end, the Debt Service Fund owed the General Fund \$15,338 for maintenance tax collections and bond issuance costs.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including 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 greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

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

Pensions

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

Measurement Focus

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. LONG-TERM DEBT

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

	July 1, 2016	Additions	Retirements	June 30, 2017
Bonds Payable	\$ 17,285,000	\$ 6,800,000	\$ 370,000	\$ 23,715,000
Unamortized Discounts	(24,831)		(1,230)	(23,601)
Unamortized Premiums	140,547		6,836	133,711
Bonds Payable, Net	<u>\$ 17,400,716</u>	<u>\$ 6,800,000</u>	<u>\$ 375,606</u>	<u>\$ 23,825,110</u>
			Amount Due Within One Year	\$ 835,000
			Amount Due After One Year	22,990,110
			Bonds Payable, Net	<u>\$ 23,825,110</u>

	Series 2010 Utility	Series 2012 Road	Series 2013 Utility
Amount Outstanding – June 30, 2017	\$ 750,000	\$ 80,000	\$ 2,320,000
Interest Rates	4.50% - 5.00%	3.00% - 3.20%	2.50% - 5.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2023	September 1, 2017/2018	September 1, 2017/2038
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2015*	September 1, 2019*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2013 term bonds due September 1, 2024, 2026, 2029, 2032, 2034, 2036, and 2038, are subject to mandatory redemption beginning September 1, 2023, 2025, 2027, 2030, 2033, 2035, and 2037 respectively.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2014 Utility	Series 2014 Road	Series 2015 Utility
Amount Outstanding – June 30, 2017	\$ 3,800,000	\$ 2,105,000	\$ 3,500,000
Interest Rates	2.00% - 3.625%	2.00% - 3.75%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2038	September 1, 2017/2038	September 1, 2017/2040
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022*	September 1, 2022*	September 1, 2023*

	Series 2016 Refunding	Series 2016 Road Refunding	Series 2016A Utility
Amount Outstanding – June 30, 2017	\$ 2,825,000	\$ 1,535,000	\$ 6,800,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	1.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2017/2036	September 1, 2017/2038	September 1, 2017/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2022*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2014 term bonds due September 1, 2026, 2028, 2030, 2032, 2034, 2036 and 2038, are subject to mandatory redemption beginning September 1, 2025, 2027, 2029, 2031, 2033, 2035 and 2037. The Series 2014 Road term bonds due September 1, 2029, 2032, 2035 and 2038, are subject to mandatory redemption beginning September 1, 2027, 2030, 2033 and 2036. The Series 2015 term bonds due September 1, 2036 and 2040, are subject to mandatory redemption beginning September 1, 2034 and 2037. The Series 2016 Refunding term bonds due September 1, 2025, 2028, and 2031 are subject to mandatory redemption beginning September 1, 2024, 2026, and 2029. The Series 2016 Refunding Road term bonds due September 1, 2025, 2029, 2032, 2035, and 2037 are subject to mandatory redemption beginning September 1, 2024, 2026, 2030, 2033, and 2036. The Series 2016A term bonds due September 1, 2042 are subject to mandatory redemption beginning September 1, 2039.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. LONG-TERM DEBT (Continued)

The District has (i) \$36,545,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and related refunding purposes, (ii) \$11,375,000 principal amount of unlimited tax bonds for parks and recreation and related refunding purposes, and (iii) \$19,450,000 principal amount of unlimited tax bonds for roads and related improvements and related refunding purposes authorized but unissued. 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.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 835,000	\$ 721,512	\$ 1,556,512
2019	850,000	703,997	1,553,997
2020	860,000	685,840	1,545,840
2021	875,000	666,840	1,541,840
2022	890,000	645,820	1,535,820
2023-2027	4,725,000	2,846,631	7,571,631
2028-2032	5,300,000	2,077,854	7,377,854
2033-2037	5,975,000	1,130,601	7,105,601
2038-2042	3,145,000	233,612	3,378,612
2043	260,000	3,900	263,900
	<u>\$ 23,715,000</u>	<u>\$ 9,716,607</u>	<u>\$ 33,431,607</u>

During the year ended June 30, 2017, the District levied an ad valorem debt service tax rate of \$0.82 (consisting of \$0.735 to pay the District's water, wastewater, and drainage debt service and \$0.085 to pay the District's road debt service) per \$100 of assessed valuation, which resulted in a tax levy of \$1,564,299 on the adjusted taxable valuation of \$190,768,079 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.

The District's tax calendar is as follows:

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

Lien Date - January 1.

Due Date - Upon receipt, but no later than January 31.

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond 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 with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond resolutions state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings, if any, 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.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$4,303,721 and the bank balance was \$4,303,622. The District was not exposed to custodial risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 172,022	\$ 1,217,309	\$ 1,389,331
DEBT SERVICE FUND	2,882,717		2,882,717
CAPITAL PROJECTS FUND	31,673		31,673
TOTAL DEPOSITS	\$ 3,086,412	\$ 1,217,309	\$ 4,303,721

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 1,403,718	\$ 1,403,718
Certificates of Deposit	1,217,309	1,217,309
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	<u>273,688</u>	<u>273,688</u>
TOTAL INVESTMENTS	<u>\$2,894,715</u>	<u>\$ 2,894,715</u>

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

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

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.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. CAPITAL ASSETS

	July 1, 2016	Increases	Decreases	June 30, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,960,967	\$ - 0 -	\$ - 0 -	\$ 1,960,967
Capital Assets Subject to Depreciation				
Water System	\$ 5,540,921	\$ 1,017,083	\$	\$ 6,558,004
Wastewater System	5,258,605	602,127		5,860,732
Drainage System	9,461,937	505,085		9,967,022
Total Capital Assets Subject to Depreciation	<u>\$ 20,261,463</u>	<u>\$ 2,124,295</u>	<u>\$ - 0 -</u>	<u>\$ 22,385,758</u>
Accumulated Depreciation				
Water System	\$ 1,283,197	\$ 241,685	\$	\$ 1,524,882
Wastewater System	685,069	144,649		829,718
Drainage System	963,375	212,879		1,176,254
Total Accumulated Depreciation	<u>\$ 2,931,641</u>	<u>\$ 599,213</u>	<u>\$ - 0 -</u>	<u>\$ 3,530,854</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,329,822</u>	<u>\$ 1,525,082</u>	<u>\$ - 0 -</u>	<u>\$ 18,854,904</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,290,789</u>	<u>\$ 1,525,082</u>	<u>\$ - 0 -</u>	<u>\$ 20,815,871</u>

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the 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 year ended June 30, 2017, the District levied an ad valorem maintenance tax rate of \$0.275 per \$100 of assessed valuation, which resulted in a tax levy of \$524,612 on the adjusted taxable valuation of \$190,768,079 for the 2016 tax year.

NOTE 8. ROAD MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax for road facilities not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2017, the District did not levy road maintenance tax.

NOTE 9. UNREIMBURSED COSTS

The District has executed development financing agreements with Developers within the District. The agreements call for the Developers to make operating advances and fund costs associated with water, sewer and drainage facilities as well as roads and other infrastructure until such time as the District can sell bonds. Reimbursement to the Developers is contingent upon approval from the Commission (other than costs associated with road facilities) and the future sale of bonds.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10. 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 and no settlements have exceeded coverage in the past three years.

NOTE 11. TRANSPORTATION DEVELOPMENT AGREEMENT

On October 26, 2007, the District entered into the Transportation Development Agreement with Waller County, Texas (the "County") and a District Developer. The agreement was amended on December 18, 2013. The District and the County, through the initial funding by the Developer, agree to share in certain transportation improvements (the "Project") within the District. The Project applicable to this agreement is the roadway improvements to Kingsland Boulevard, including paving one-half of the full concrete boulevard section from Pederson Road west to the eastern boundary of the proposed drainage channel that will serve the District's development, as well as the associated right of way, lighting and drainage facilities, as required by the County. Upon the completion of the Project and the expiration of the warranty period on the Project, the County accepted ownership and maintenance of the Project in the same manner and to the same extent it owns and maintains County owned roads and related road facilities in other unincorporated areas of the County. The District retains ownership and maintenance of the lighting and drainage facilities associated with the Project, unless otherwise agreed to by the District and the County.

In accordance with the Developer reimbursement agreements, the District will reimburse the Developer for the entire Project costs, through the issuance of bonds or otherwise. To reimburse the District for its share of the Project costs, the County agrees to pay the District a portion of the ad valorem taxes levied and collected by the County in future years on the assessed valuation of the real property and improvements within the District. The annual payment will be at a rate of \$0.20 per \$100 of assessed valuation of the tax revenues actually levied and collected by the County on the "captured appraised value", exclusive of any interest and penalties paid by the taxpayer to the County and exclusive of any collections costs incurred by the County. "Captured appraised value" is defined in the agreement as the total appraised value of the real property and improvements taxable by the County and located in the District for a given year, as certified by Waller County Appraisal District, less the "tax increment base". The "tax increment base" is the total appraised value of all real property and improvements taxable by the County located in the District as of January 1, 2007, as certified by the Waller County Appraisal District.

Pursuant to the terms of the agreement, the annual payment will begin on May 1 in the calendar year following the calendar year for which the District issues its initial series of bonds used to pay for the project costs and shall be payable each May 1, with each such payment being applicable to the calendar year preceding the calendar year of each May 1. On September 1 of each calendar year, the County will cause to be paid to the District the portion of the annual payment which reflects collections made by the County subsequent to May 1. The annual

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. TRANSPORTATION DEVELOPMENT AGREEMENT (Continued)

payment will continue for such number of years as required to accumulate sufficient funds to amortize the bonds or other debt (including the costs of issuance and interest on such bonds or other debt) necessary to pay for the lesser of (i) the actual project cost or (ii) \$1,263,000. The County reserves the option to prepay its obligations under this agreement at any time without penalty. The District sold its Series 2012 Road Bonds to reimburse developers for Kingsland Boulevard pavement construction and related engineering costs, right-of-way acquisition costs, stormwater pollution prevention plan costs and developer advances.

To date the District has received payments of \$85,559, \$126,726, \$213,395, \$150,000, and \$370,173 for the 2012, 2013, 2014, 2015, and 2016 years, respectively. The balance to be paid by the County to the District in future years is \$525,881.

NOTE 12. BLUEBONNET GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Bluebonnet Groundwater Conservation District (the "Conservation District"). The Conservation District operates in Austin, Grimes, Walker, and Waller counties. The Conservation District was created to provide a locally controlled groundwater district in order to protect and recharge groundwater, to prevent pollution or waste of groundwater, to control subsidence caused by withdrawal of water from the groundwater reservoirs in the area, and to regulate the transport of water out of the boundaries of the Conservation District. The Conservation District charges minimum fees per well per month along with production fees, transport fees and excess pumpage fees, when necessary.

NOTE 13. BOND SALE

On August 30, 2016, the District issued its \$6,800,000 Series 2016A Unlimited Tax Bonds. Proceeds of the bond sale were used to reimburse developers for construction costs related to the water, sanitary sewer and drainage facilities serving Willow Creek Farms, Section 1, Willow Creek Farms II Sections 1, 2 and 3, water plant no. 1 phase 2 expansion, wastewater treatment plant expansion phase 2, storm water pollution prevention plan and erosion control, as well as pay bond issuance costs.

NOTE 14. LEASE AGREEMENTS

The District executed a Lease Agreement With Option to Purchase with Gaylord Investment Company on July 18, 2014, for a new 120,000 gallons per day sewage treatment plant. The term of the lease will be 60 months from the first day of the month following delivery and installation of the leased equipment. Total payments over the term of the lease will be \$606,000 with

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14. LEASE AGREEMENTS (Continued)

monthly installments of \$10,100. Upon execution of the lease, \$20,200 was paid representing the first and last month's lease payments. The District intends to purchase the leased equipment with proceeds from the upcoming bond sale for approximately \$310,000.

The District executed a Lease Agreement with Option to Purchase with AUC Group. L.P. on May 11, 2017 for an additional 265,000 gallons per day sewage treatment plant. The term of the lease will be 60 months from the first day of the month following delivery and installation of the equipment. Total payments over the term of the lease will be \$1,416,000 with monthly installments of \$23,600. Upon execution of the lease, \$47,200 was paid year representing the first and last month's lease payments. The lease includes the option to purchase the plant by the District.

NOTE 15. STRATEGIC PARTNERSHIP AGREEMENT

Effective November 15, 2016, the District entered into a Strategic Partnership Agreement (the "Agreement") with the City of Katy, Texas (the "City"). The Agreement, subject to the Development Agreement (see Note 16), provides for the annexation of the entirety of the property located in the District (the "Tract") by the City for certain limited purposes including the provision of fire, police protection, and emergency response services. The Agreement further provides for the annexation of particular commercial and residential property located in the District (the "Development Tract") for the limited purpose of imposing a Sales and Use Tax, providing City water and wastewater utility services, providing City garbage and recycling collection, imposing City drainage standards, and accepting the roads constructed on the Development Tract for ownership.

The City will impose a Sales and Use Tax within the District upon the limited-purpose annexation of the Development Tract. The Sales and Use Tax will be 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 future amendments to Chapter 321 of the Tax Code. The City will pay the District 50% of all Sales and Use Tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller (net of any Comptroller collection costs) within 30 days of the City receiving the funds from the State Comptroller's office.

In consideration of the District's receipt of the Sales and Use Tax revenue, the District agrees to use available funds, including but not limited to the Sales and Use Tax revenue the District receives, to acquire the necessary right of way and construct the road improvements (the "Road Improvements") set forth in the Agreement. Upon completion of each Road Improvements, the City will accept the Road Improvements in accordance with the terms of the Development Agreement and assume all responsibility to continue maintenance related thereto. So long as the District completes the Road Improvements, the District may use the Sales and Use Tax revenues for any lawful purpose for the entirety of the term of the Agreement.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The Agreement continues until the earlier of: (i) dissolution of the District; (ii) 45 years from the effective date of the Agreement; or (iii) termination on an earlier date pursuant to express written agreement executed by the City and the District. The Agreement may be extended beyond 45 years from the effective date for successive one-year or longer periods by mutual agreement of the City and the District.

NOTE 16. DEVELOPMENT AGREEMENT

Effective November 15, 2016, the District entered into a Development Agreement (the "Agreement") with the City of Katy, Texas. Pursuant to this Agreement, the City agrees to provide certain services to approximately 162.2 acres of land within the District (the "Development Tract") which will be developed for commercial and single-family residential purposes.

The City will provide the necessary water supply and wastewater treatment plant capacity to serve the Development Tract. As the Development Tract facilities are acquired and constructed, the District will convey the same to the City for ownership and maintenance. The City will also accept for ownership and maintenance road projects constructed within the Development Tract. The District will continue to own and maintain storm water detention facilities, park and recreational facilities, and all other facilities owned by the District located outside the boundaries of the Development Tract. The City will provide services to users within the Development Tract at rates that are equal to those charged to other similar users served by the City. The City will bill and collect from the Development Tract customers, with all revenues belonging exclusively to the City. The City will provide garbage and recycling services to the customers located in the Development Tract at the same rates as those charged to other customers located within the City.

The City will provide police protection and related emergency response services (collectively, the "Emergency Services") for the entirety of the District for an annual payment of \$275,000 which is due each year on October 1st. Provision of Emergency Services commenced on December 1, 2016, with the first-year prorated payment of \$229,167. At such time as the City begins collecting its share of the Sales and Use Tax revenue from the Development Tract, pursuant to the Strategic Partnership Agreement described in Note 15, the City will credit such amount to the annual Emergency Services payment due for the following year. The District will be responsible for paying the balance of the Emergency Services payment due, if any. The District will continue to rely on fire and emergency medical services provided by Waller-Harris Emergency Services District No. 200.

The Agreement will remain in effect until the earlier of (i) annexation by and the dissolution of the District by the City; or (ii) the expiration of 45 years from the date hereof.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17. PENDING BOND SALE

On August 5, 2017, the District submitted a bond application to the Commission in the amount of \$3,800,000. The Commission issued an administratively complete letter on August 11, 2017.

NOTE 18. NORTH FORT BEND WATER AUTHORITY

A small portion of the District is located within the boundaries of the North Fort Bend Water Authority (the "Authority"). The Authority was created by an Act of the Texas Legislature. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. The current rates charged by the Authority are \$3.05 per 1,000 gallons of water pumped from each well and \$3.40 per 1,000 gallons of surface water purchased.

NOTE 19. AGREEMENTS WITH FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 3B

On June 11, 2015, the District entered into an agreement with Fulshear Municipal Utility District No. 3B ("Fulshear 3B") for joint water plant operations. Fulshear 3B participated with the District in the expansion of the water plant to 2,175 equivalent single-family connections ("esfcs") with 1,325 esfcs allocated to the District and 850 esfcs allocated to Fulshear 3B. Ownership capacity is allocated to the District and Fulshear 3B at 61% and 39%, respectively. Fulshear 3B pays its proportionate share of the operation and maintenance costs based on the ratio of water used by Fulshear 3B from the water plant to all water produced by the water plant. The term of the agreement is 40 years from the effective date.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 19. AGREEMENTS WITH FULSHEAR MUNICIPAL UTILITY
DISTRICT NO. 3B (Continued)**

On June 11, 2015, the District entered into an agreement with Fulshear 3B for joint wastewater treatment plant operations. Fulshear 3B will participate with the District in the current expansion of the wastewater treatment plant which when complete will serve 1,960 esfcs with 1,240 esfcs allocated to the District and 720 esfcs allocated to Fulshear 3B. The pro rata share of the construction costs of the current expansion and the lease payments associated therewith for the District and Fulshear 3B will be 26.5% and 73.5%, respectively. Ownership capacity after completion of the current expansion for the District and Fulshear 3B will be 63% and 37%, respectively. Fulshear 3B will pay its proportionate share of the operation and maintenance costs based on its ownership capacity. The term of the agreement is 5 years from the effective date with the option to renew for successive one-year terms.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 485,000	\$ 509,420	\$ 523,305	\$ 13,885
Water Service	330,000	330,000	313,683	(16,317)
Wastewater Service	330,000	330,000	376,107	46,107
Penalty and Interest	10,250	10,250	15,839	5,589
Tap Connection and Inspection Fees	70,000	70,000	102,925	32,925
Miscellaneous Revenues	10,500	10,500	29,377	18,877
TOTAL REVENUES	<u>\$ 1,235,750</u>	<u>\$ 1,260,170</u>	<u>\$ 1,361,236</u>	<u>\$ 101,066</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 164,000	\$ 164,000	\$ 214,162	\$ (50,162)
Contracted Services	464,000	464,000	418,863	45,137
Utilities	75,000	75,000	64,141	10,859
Repairs and Maintenance	215,000	215,000	250,453	(35,453)
Other	260,700	260,700	294,066	(33,366)
TOTAL EXPENDITURES	<u>\$ 1,178,700</u>	<u>\$ 1,178,700</u>	<u>\$ 1,241,685</u>	<u>\$ (62,985)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 57,050</u>	<u>\$ 81,470</u>	<u>\$ 119,551</u>	<u>\$ 38,081</u>
OTHER FINANCING SOURCES(USES)				
Transfers In	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 44,062</u>	<u>\$ 44,062</u>
NET CHANGE IN FUND BALANCE	\$ 57,050	\$ 81,470	\$ 163,613	\$ 82,143
FUND BALANCE - JULY 1, 2016	<u>1,604,614</u>	<u>1,604,614</u>	<u>1,604,614</u>	
FUND BALANCE - JUNE 30, 2017	<u>\$ 1,661,664</u>	<u>\$ 1,686,084</u>	<u>\$ 1,768,227</u>	<u>\$ 82,143</u>

See accompanying independent auditor's report.

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WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2017

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2017**

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

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
<u> X </u>	Parks/Recreation	_____	Fire Protection	_____	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	<u> X </u>	Roads
_____	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 adopted on March 10, 2016.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 23.00	8,000	N	\$ 1.00 \$ 1.50 \$ 2.00	8,001 – 15,000 15,001 – 30,000 30,001 and up
WASTEWATER:	\$ 38.00*		Y		
SURCHARGE:					
Groundwater Reduction Fees	110% of the per 1,000 gallon water pumpage fee charged by the Bluebonnet Groundwater Conservation District.				
TCEQ Regulatory Assessment	0.05% of actual water and sewer collections.				

Total monthly charges per 10,000 gallons usage: Water: \$ 25.00 Wastewater: \$ 38.00 Surcharge: \$ 0.82

* Includes garbage service for residential connections only.

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2017**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	951	946	x 1.0	946
1"	1	1	x 2.5	3
1½"			x 5.0	
2"	4	2	x 8.0	16
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>956</u>	<u>949</u>		<u>965</u>
Total Wastewater Connections	<u>929</u>	<u>947</u>	x 1.0	<u>947</u>

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

Gallons pumped into system:	172,596,000	Water Accountability Ratio: 97.2% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	152,048,000	
Total Gallons sold:	15,658,000	To: <u>Fulshear MUD 3B</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

Counties in which District is located:

Waller and Fort Bend Counties, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Katy, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 14,800
Engineering	58,473
Legal	140,889
TOTAL PROFESSIONAL FEES	<u>\$ 214,162</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,023
Operations and Billing	28,754
TOTAL CONTRACTED SERVICES	<u>\$ 46,777</u>
UTILITIES:	
Electricity	<u>\$ 64,141</u>
REPAIRS AND MAINTENANCE	<u>\$ 250,453</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,800
Insurance	18,162
Office Supplies and Postage	15,271
Payroll Taxes	792
Travel and Meetings	5,556
Other	8,030
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 58,611</u>
TAP CONNECTIONS	<u>\$ 43,600</u>
SOLID WASTE DISPOSAL	<u>\$ 142,919</u>
CONTRACTED EMERGENCY SERVICES	<u>\$ 229,167</u>
OTHER EXPENDITURES:	
Chemicals	\$ 3,512
Conservation District Costs	7,585
Laboratory Fees	16,776
Lease Payments	121,200
Permit Fees	3,395
Reconnection Fees	12,830
Inspection Fees	9,350
Bond Application Costs	13,300
Regulatory Assessment	3,582
Sludge Hauling	325
TOTAL OTHER EXPENDITURES	<u>\$ 191,855</u>
TOTAL EXPENDITURES	<u>\$ 1,241,685</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2017**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	\$ 1,403,718	\$
Certificate of Deposit	XXXX5763	0.60%	02/10/18	242,523	558
Certificate of Deposit	XXXX0104	0.90%	03/12/18	243,860	661
Certificate of Deposit	XXXX3937	0.90%	05/19/18	245,336	254
Certificate of Deposit	XXXX1933	0.90%	10/14/17	240,000	1,533
Certificate of Deposit	XXXX2847	1.00%	06/01/18	245,590	195
TOTAL GENERAL FUND				<u>\$ 2,621,027</u>	<u>\$ 3,201</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX4440	Varies	Daily	<u>\$ 273,688</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 2,894,715</u>	<u>\$ 3,201</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2016	\$	2,124		\$ 7,646
Adjustments to Beginning Balance		<u>(150)</u>	\$ 1,974	<u>114</u> \$ 7,760
Original 2016 Tax Levy	\$	525,258		\$ 1,566,225
Adjustment to 2016 Tax Levy		<u>(646)</u>	<u>524,612</u>	<u>(1,926)</u> 1,564,299
TOTAL TO BE ACCOUNTED FOR			\$ 526,586	\$ 1,572,059
TAX COLLECTIONS:				
Prior Years	\$	1,974		\$ 7,760
Current Year		<u>521,331</u>	<u>523,305</u>	<u>1,554,512</u> 1,562,272
TAXES RECEIVABLE - JUNE 30, 2017			<u>\$ 3,281</u>	<u>\$ 9,787</u>
TAXES RECEIVABLE BY YEAR:				
2016			<u>\$ 3,281</u>	<u>\$ 9,787</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
TOTAL PROPERTY VALUATIONS	\$ <u>190,768,079</u>	\$ <u>159,598,279</u>	\$ <u>112,502,877</u>	\$ <u>69,245,631</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.820	\$ 0.90	\$ 0.80	\$ 0.67
Maintenance	<u>0.275</u>	<u>0.25</u>	<u>0.45</u>	<u>0.58</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.095</u>	<u>\$ 1.15</u>	<u>\$ 1.25</u>	<u>\$ 1.25</u>
ADJUSTED TAX LEVY*	<u>\$ 2,088,910</u>	<u>\$ 1,835,380</u>	<u>\$ 1,406,286</u>	<u>\$ 865,571</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.37 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation was approved by voters on November 6, 2007.

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2010 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 90,000	\$ 34,531	\$ 124,531
2019	95,000	30,250	125,250
2020	100,000	25,556	125,556
2021	105,000	20,560	125,560
2022	115,000	15,125	130,125
2023	120,000	9,250	129,250
2024	125,000	3,125	128,125
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 750,000</u>	<u>\$ 138,397</u>	<u>\$ 888,397</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017**

S E R I E S - 2 0 1 2 R O A D

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 40,000	\$ 1,880	\$ 41,880
2019	40,000	640	40,640
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 80,000</u>	<u>\$ 2,520</u>	<u>\$ 82,520</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2013 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 60,000	\$ 93,906	\$ 153,906
2019	65,000	92,344	157,344
2020	65,000	90,719	155,719
2021	70,000	89,031	159,031
2022	75,000	87,219	162,219
2023	75,000	85,250	160,250
2024	80,000	82,869	162,869
2025	85,000	80,084	165,084
2026	90,000	76,963	166,963
2027	95,000	73,494	168,494
2028	100,000	69,650	169,650
2029	105,000	65,422	170,422
2030	110,000	60,988	170,988
2031	115,000	56,131	171,131
2032	120,000	50,843	170,843
2033	125,000	45,331	170,331
2034	130,000	39,512	169,512
2035	135,000	33,385	168,385
2036	145,000	26,818	171,818
2037	150,000	19,813	169,813
2038	160,000	12,250	172,250
2039	165,000	4,125	169,125
2040			
2041			
2042			
2043			
	<u>\$ 2,320,000</u>	<u>\$ 1,336,147</u>	<u>\$ 3,656,147</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2014 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 100,000	\$ 118,700	\$ 218,700
2019	105,000	116,650	221,650
2020	110,000	114,500	224,500
2021	115,000	111,963	226,963
2022	120,000	108,725	228,725
2023	125,000	105,050	230,050
2024	130,000	101,225	231,225
2025	140,000	97,175	237,175
2026	145,000	92,900	237,900
2027	155,000	88,400	243,400
2028	160,000	83,675	243,675
2029	170,000	78,725	248,725
2030	180,000	73,363	253,363
2031	185,000	67,659	252,659
2032	195,000	61,601	256,601
2033	205,000	55,100	260,100
2034	215,000	48,007	263,007
2035	225,000	40,306	265,306
2036	235,000	32,257	267,257
2037	250,000	23,768	273,768
2038	260,000	14,680	274,680
2039	275,000	4,984	279,984
2040			
2041			
2042			
2043			
	<u>\$ 3,800,000</u>	<u>\$ 1,639,413</u>	<u>\$ 5,439,413</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

S E R I E S - 2 0 1 4 R O A D

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 100,000	\$ 64,256	\$ 164,256
2019	100,000	62,256	162,256
2020	100,000	60,256	160,256
2021	95,000	58,306	153,306
2022	95,000	55,931	150,931
2023	95,000	53,081	148,081
2024	95,000	50,231	145,231
2025	95,000	47,381	142,381
2026	95,000	44,531	139,531
2027	95,000	41,681	136,681
2028	95,000	38,713	133,713
2029	95,000	35,625	130,625
2030	95,000	32,537	127,537
2031	95,000	29,331	124,331
2032	95,000	26,006	121,006
2033	95,000	22,681	117,681
2034	95,000	19,297	114,297
2035	95,000	15,854	110,854
2036	95,000	12,411	107,411
2037	95,000	8,907	103,907
2038	95,000	5,345	100,345
2039	95,000	1,781	96,781
2040			
2041			
2042			
2043			
	<u>\$ 2,105,000</u>	<u>\$ 786,398</u>	<u>\$ 2,891,398</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2015 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 150,000	\$ 104,605	\$ 254,605
2019	150,000	101,605	251,605
2020	150,000	98,605	248,605
2021	150,000	95,605	245,605
2022	145,000	92,655	237,655
2023	145,000	89,574	234,574
2024	145,000	86,203	231,203
2025	145,000	82,578	227,578
2026	145,000	78,735	223,735
2027	145,000	74,748	219,748
2028	145,000	70,543	215,543
2029	145,000	66,048	211,048
2030	145,000	61,371	206,371
2031	145,000	56,549	201,549
2032	145,000	51,547	196,547
2033	145,000	46,472	191,472
2034	145,000	41,397	186,397
2035	145,000	36,250	181,250
2036	145,000	31,030	176,030
2037	145,000	25,810	170,810
2038	145,000	20,300	165,300
2039	145,000	14,500	159,500
2040	145,000	8,700	153,700
2041	145,000	2,900	147,900
2042			
2043			
	<u>\$ 3,500,000</u>	<u>\$ 1,438,330</u>	<u>\$ 4,938,330</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 20,000	\$ 101,050	\$ 121,050
2019	20,000	100,650	120,650
2020	20,000	100,250	120,250
2021	25,000	99,800	124,800
2022	25,000	99,300	124,300
2023	25,000	98,800	123,800
2024	25,000	98,285	123,285
2025	160,000	94,819	254,819
2026	165,000	88,319	253,319
2027	170,000	81,619	251,619
2028	180,000	74,619	254,619
2029	190,000	67,219	257,219
2030	195,000	59,519	254,519
2031	205,000	51,518	256,518
2032	210,000	43,218	253,218
2033	225,000	35,503	260,503
2034	230,000	28,250	258,250
2035	235,000	20,694	255,694
2036	245,000	12,740	257,740
2037	255,000	4,303	259,303
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 2,825,000</u>	<u>\$ 1,360,475</u>	<u>\$ 4,185,475</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2016 ROAD REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 10,000	\$ 49,969	\$ 59,969
2019	10,000	49,769	59,769
2020	50,000	49,169	99,169
2021	50,000	48,169	98,169
2022	50,000	47,169	97,169
2023	55,000	46,119	101,119
2024	55,000	44,985	99,985
2025	60,000	43,725	103,725
2026	65,000	42,319	107,319
2027	65,000	40,287	105,287
2028	70,000	37,587	107,587
2029	75,000	34,687	109,687
2030	75,000	31,687	106,687
2031	80,000	28,587	108,587
2032	80,000	25,387	105,387
2033	85,000	22,087	107,087
2034	90,000	18,869	108,869
2035	95,000	15,748	110,748
2036	100,000	12,457	112,457
2037	100,000	9,081	109,081
2038	105,000	5,622	110,622
2039	110,000	1,925	111,925
2040			
2041			
2042			
2043			
	<u>\$ 1,535,000</u>	<u>\$ 705,404</u>	<u>\$ 2,240,404</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

SERIES - 2016 A UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 265,000	\$ 152,615	\$ 417,615
2019	265,000	149,833	414,833
2020	265,000	146,785	411,785
2021	265,000	143,406	408,406
2022	265,000	139,696	404,696
2023	265,000	135,125	400,125
2024	265,000	129,826	394,826
2025	265,000	124,525	389,525
2026	260,000	119,275	379,275
2027	260,000	114,075	374,075
2028	260,000	108,875	368,875
2029	260,000	103,512	363,512
2030	260,000	97,825	357,825
2031	260,000	91,812	351,812
2032	260,000	85,475	345,475
2033	260,000	78,975	338,975
2034	260,000	72,475	332,475
2035	260,000	65,813	325,813
2036	260,000	58,500	318,500
2037	260,000	50,700	310,700
2038	260,000	42,900	302,900
2039	260,000	35,100	295,100
2040	260,000	27,300	287,300
2041	260,000	19,500	279,500
2042	260,000	11,700	271,700
2043	260,000	3,900	263,900
	<u>\$ 6,800,000</u>	<u>\$ 2,309,523</u>	<u>\$ 9,109,523</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2017

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 835,000	\$ 721,512	\$ 1,556,512
2019	850,000	703,997	1,553,997
2020	860,000	685,840	1,545,840
2021	875,000	666,840	1,541,840
2022	890,000	645,820	1,535,820
2023	905,000	622,249	1,527,249
2024	920,000	596,749	1,516,749
2025	950,000	570,287	1,520,287
2026	965,000	543,042	1,508,042
2027	985,000	514,304	1,499,304
2028	1,010,000	483,662	1,493,662
2029	1,040,000	451,238	1,491,238
2030	1,060,000	417,290	1,477,290
2031	1,085,000	381,587	1,466,587
2032	1,105,000	344,077	1,449,077
2033	1,140,000	306,149	1,446,149
2034	1,165,000	267,807	1,432,807
2035	1,190,000	228,050	1,418,050
2036	1,225,000	186,213	1,411,213
2037	1,255,000	142,382	1,397,382
2038	1,025,000	101,097	1,126,097
2039	1,050,000	62,415	1,112,415
2040	405,000	36,000	441,000
2041	405,000	22,400	427,400
2042	260,000	11,700	271,700
2043	260,000	3,900	263,900
	<u>\$ 23,715,000</u>	<u>\$ 9,716,607</u>	<u>\$ 33,431,607</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2017**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2016
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2010	\$ 3,590,000	\$ 835,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Bonds - Series 2012	1,680,000	115,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2013	2,500,000	2,375,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2014	4,000,000	3,895,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Bonds - Series 2014	2,300,000	2,205,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2015	3,500,000	3,500,000
Willow Creek Farms Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016	2,825,000	2,825,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Refunding Bonds - Series 2016	1,535,000	1,535,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2016A	<u>6,800,000</u>	
TOTAL	<u><u>\$ 28,730,000</u></u>	<u><u>\$ 17,285,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2017</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 85,000	\$ 38,362	\$ 750,000	Wells Fargo Bank N.A. Houston, TX
	35,000	2,961	80,000	Wells Fargo Bank N.A. Dallas, TX
	55,000	95,344	2,320,000	Wells Fargo Bank N.A. Minneapolis, MN
	95,000	120,650	3,800,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	100,000	66,256	2,105,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
		106,106	3,500,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
		91,688	2,825,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
		45,340	1,535,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
<u>6,800,000</u>		<u>77,397</u>	<u>6,800,000</u>	The Bank of New York Mellon Trust Company N.A. Dallas, TX
<u>\$ 6,800,000</u>	<u>\$ 370,000</u>	<u>\$ 644,104</u>	<u>\$ 23,715,000</u>	

See accompanying independent auditor's report.

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**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2017**

Bond Authority:	<u>Tax Bonds (Utilities)*</u>	<u>Road Bonds*</u>	<u>Parks and Recreational Bonds*</u>
Amount Authorized by Voters	\$ 57,230,000	\$ 23,500,000	\$ 11,375,000
Amount Issued	<u>20,685,000</u>	<u>4,050,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 36,545,000</u>	<u>\$ 19,450,000</u>	<u>\$ 11,375,000</u>
 Debt Service Fund cash and investment balances as of June 30, 2017:			 <u>\$ 2,882,717</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			 <u>\$ 1,285,831</u>

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

* Includes bonds authorized to be issued for refunding purposes.

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 523,305	\$ 403,016	\$ 501,504
Water Service	313,683	286,242	245,354
Wastewater Service	376,107	353,830	291,173
Penalty and Interest	15,839	12,769	10,156
Tap Connection and Inspection Fees	102,925	91,294	124,375
Miscellaneous Revenues	29,377	27,583	24,885
TOTAL REVENUES	\$ 1,361,236	\$ 1,174,734	\$ 1,197,447
EXPENDITURES			
Professional Fees	\$ 214,162	\$ 236,853	\$ 208,539
Contracted Services	418,863	179,972	151,313
Utilities	64,141	68,237	65,044
Repairs and Maintenance	250,453	232,276	161,534
Other	294,066	289,216	170,673
TOTAL EXPENDITURES	\$ 1,241,685	\$ 1,006,554	\$ 757,103
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 119,551	\$ 168,180	\$ 440,344
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 44,062	\$ 31,236	\$ 40,393
NET CHANGE IN FUND BALANCE	\$ 163,613	\$ 199,416	\$ 480,737
BEGINNING FUND BALANCE	1,604,614	1,405,198	924,461
ENDING FUND BALANCE	\$ 1,768,227	\$ 1,604,614	\$ 1,405,198

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 405,610	\$ 301,611	38.4 %	34.3 %	41.9 %	36.4 %	38.9 %
276,936	146,880	23.0	24.4	20.5	24.9	18.9
164,266	107,442	27.6	30.1	24.3	14.7	13.8
7,181	4,436	1.2	1.1	0.8	0.6	0.6
220,700	207,375	7.6	7.8	10.4	19.8	26.7
<u>39,664</u>	<u>8,648</u>	<u>2.2</u>	<u>2.3</u>	<u>2.1</u>	<u>3.6</u>	<u>1.1</u>
<u>\$ 1,114,357</u>	<u>\$ 776,392</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 250,939	\$ 179,190	15.7 %	20.2 %	17.4 %	22.5 %	23.1 %
100,942	50,628	30.8	15.3	12.6	9.1	6.5
52,632	38,484	4.7	5.8	5.4	4.7	5.0
129,432	94,377	18.4	19.8	13.5	11.6	12.2
<u>198,289</u>	<u>153,002</u>	<u>21.6</u>	<u>24.6</u>	<u>14.3</u>	<u>17.8</u>	<u>19.7</u>
<u>\$ 732,234</u>	<u>\$ 515,681</u>	<u>91.2 %</u>	<u>85.7 %</u>	<u>63.2 %</u>	<u>65.7 %</u>	<u>66.5 %</u>
\$ 382,123	\$ 260,711	<u>8.8 %</u>	<u>14.3 %</u>	<u>36.8 %</u>	<u>34.3 %</u>	<u>33.5 %</u>
\$ 36,839	\$ - 0 -					
\$ 418,962	\$ 260,711					
<u>505,499</u>	<u>244,788</u>					
<u>\$ 924,461</u>	<u>\$ 505,499</u>					

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 1,562,272	\$ 1,439,661	\$ 890,680
Payment in Lieu of Taxes	370,173	150,000	425,680
Penalty and Interest	8,192	9,817	5,501
Miscellaneous Revenues	3,535	2,670	1,888
TOTAL REVENUES	\$ 1,944,172	\$ 1,602,148	\$ 1,323,749
EXPENDITURES			
Tax Collection Expenditures	\$ 62,386	\$ 52,920	\$ 36,652
Debt Service Principal	370,000	370,000	180,000
Debt Service Interest and Fees	662,327	634,338	417,985
Bond Issuance Costs		221,731	
Payment to Refunded Bond Escrow Agent		17,500	
TOTAL EXPENDITURES	\$ 1,094,713	\$ 1,296,489	\$ 634,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 849,459	\$ 305,659	\$ 689,112
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$ 124,750
Proceeds from Sale of Refunding Bonds		4,360,000	
Transfer to Refunded Bond Escrow Agent		(4,279,976)	
Bond Premium		142,158	
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 222,182	\$ 124,750
NET CHANGE IN FUND BALANCE	\$ 849,459	\$ 527,841	\$ 813,862
BEGINNING FUND BALANCE	2,017,920	1,490,079	676,217
ENDING FUND BALANCE	\$ 2,867,379	\$ 2,017,920	\$ 1,490,079
TOTAL ACTIVE RETAIL WATER CONNECTIONS	949	859	768
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	947	834	746

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014	2013	2017	2016	2015	2014	2013
\$ 468,947	\$ 297,122	80.4 %	89.8 %	67.3 %	98.3 %	98.7 %
6,445	2,806	19.0	9.4	32.2		
1,244	1,167	0.4	0.6	0.4	1.4	0.9
		0.2	0.2	0.1	0.3	0.4
<u>\$ 476,636</u>	<u>\$ 301,095</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 24,869	\$ 21,282	3.2 %	3.3 %	2.8 %	5.2 %	7.1 %
100,000		19.0	23.1	13.6	21.0	
291,845	257,725	34.1	39.6	31.6	61.2	85.6
			13.8			
			1.1			
<u>\$ 416,714</u>	<u>\$ 279,007</u>	<u>56.3 %</u>	<u>80.9 %</u>	<u>48.0 %</u>	<u>87.4 %</u>	<u>92.7 %</u>
\$ 59,922	\$ 22,088	<u>43.7 %</u>	<u>19.1 %</u>	<u>52.0 %</u>	<u>12.6 %</u>	<u>7.3 %</u>
\$ 99,156	\$					
<u>\$ 99,156</u>	<u>\$ - 0 -</u>					
\$ 159,078	\$ 22,088					
517,139	495,051					
<u>\$ 676,217</u>	<u>\$ 517,139</u>					
<u>666</u>	<u>457</u>					
<u>648</u>	<u>450</u>					

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2017**

District Mailing Address - Willow Creek Farms Municipal Utility District
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 <u>June 30, 2017</u>	Expense Reimbursements for the year ended <u>June 30, 2017</u>	<u>Title</u>
Mark Nelson	05/16 05/20 (Elected)	\$ 3,600	\$ 2,959	President
Lauren Kinsler	05/14 05/18 (Appointed)	\$ 2,250	\$ 918	Vice President
Steven Bonjonia	05/14 05/18 (Elected)	\$ 1,800	\$ 258	Secretary
Christi Miller	05/16 05/20 (Elected)	\$ 1,350	\$ 482	Assistant Secretary
Seth Bounds	10/16 05/18 (Appointed)	\$ 1,500	\$ 86	Assistant Vice President

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):
October 13, 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 27, 2007. Fees of Office are the amounts actually paid to a Director during the District current fiscal year.

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2017**

Consultants:	<u>Date Hired</u>	<u>Fees/ Compensation for the year ended June 30, 2017</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	06/27/07	\$ 155,502 \$ 176,731	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	06/25/08	\$ 14,800 \$ 11,250	Auditor Bond Related
Myrtle Cruz, Inc.	06/27/07	\$ 24,352	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	08/27/08	\$ 1,977	Delinquent Tax Attorney
IDS Engineering Group	06/27/07	\$ 71,773	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	06/27/07	\$ 129,052	Financial Advisor
Mary Jarmon	11/27/13	\$ -0-	Investment Officer
TNG Utility Corp.	07/01/07	\$ 301,492	Operator
Utility Tax Service, LLC	06/27/07	\$ 38,029	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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