OFFICIAL STATEMENT DATED OCTOBER 9, 2018

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF BARKER-CYPRESS MUNICIPAL UTILITY DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

BOOK-ENTRY-ONLY

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

$2,415,000
BARKER-CYPRESS MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2018

Dated: November 1, 2018 **Due: April 1, as shown below**

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially Regions Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from November 1, 2018 and will be payable on April 1 and October 1 of each year commencing April 1, 2019 (five months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

ASSURED GUARANTY MUNICIPAL

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2032	$ 230,000 (b)	3.500%	3.750%	067626 JJ1

$345,000 Term Bonds due April 1, 2031 (b), 067626 JH5 (c), 4.000% Interest Rate, 3.400% Yield (a)
$460,000 Term Bonds due April 1, 2034 (b), 067626 JL6 (c), 3.750% Interest Rate, 3.850% Yield (a)
$460,000 Term Bonds due April 1, 2036 (b), 067626 JN2 (c), 3.750% Interest Rate, 3.950% Yield (a)
$920,000 Term Bonds due April 1, 2040 (b), 067626 JS1 (c), 3.875% Interest Rate, 4.000% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from November 1, 2018 is to be added to the price.

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

(c) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 15, 2018.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Assured Guaranty Municipal Corp. ("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" and "APPENDIX B–Specimen Municipal Bond Insurance Policy".

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer .... Barker-Cypress Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue.......................... $2,415,000 Barker-Cypress Municipal Utility District Unlimited Tax Bonds, Series 2018, dated November 1, 2018. The Bonds mature serially on April 1 in the year 2032, and as term bonds maturing on April 1 in each of the years 2031, 2034, 2036 and 2040 (the "Term Bonds"), in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from November 1, 2018 and will be payable April 1 and October 1 of each year commencing April 1, 2019 (five months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2024, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only .... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Authority for Issuance........................ At elections held within the District on August 12, 1978, June 20, 1981 and November 6, 2001, voters authorized a total of $10,965,000 in principal amount of combination unlimited tax and revenue bonds and $18,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The District has issued nine series of bonds out of said authorization and has exhausted such authorization. At an election held within the District on November 4, 2014, voters authorized a total of $30,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the first issuance of bonds from the November 4, 2014 election. After the sale of the Bonds, the District will have $27,585,000 principal amount of unlimited tax bonds authorized and unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. See "THE BONDS—Issuance of Additional Debt."

Source of Payment........... The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds .... Proceeds from the Bonds will be used to fund construction and engineering expenses for: (1) 2018 Sanitary Sewer Cleaning and Televising; (2) Sanitary Sewer Rehabilitation Phase II; (3) Water Plant Improvements; (4) Queenston Waterline Loop; and (5) Queenston Sanitary Sewer Extension. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

Payment Record............... The District has previously issued $10,965,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds, $18,920,000 principal amount of unlimited tax bonds and $33,010,000 principal amount of unlimited tax refunding bonds (collectively, the "Previously Issued Bonds"), of which $16,395,000 principal amount of such Previously Issued Bonds is currently outstanding (the "Outstanding Bonds"). See "INVESTMENT CONSIDERATIONS—Future Debt." The District has timely paid its debt service on the Previously Issued Bonds.

Qualified Tax-Exempt Obligations .... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

Legal Opinion .... Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.

Engineer .... Jones & Carter, Inc., Houston, Texas.

Disclosure Counsel .... McCall, Parkhurst & Horton L.L.P, Houston, Texas.

Financial Advisor .... Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar.... Regions Bank, Houston, Texas.

Municipal Bond Insurance and Municipal Bond Rating.................... It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy 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"). S&P has also assigned an underlying rating of "A-" to the Bonds. An explanation of the ratings may be obtained from S&P, 55 Water Street, New York, New York 10041. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

THE DISTRICT

Description .... The District is a political subdivision of the State of Texas, created by order of the Texas Water Rights Commission, a predecessor to the Texas Commission on Environmental Quality (the "Commission"), dated February 20, 1974. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 735 acres of land. See "THE DISTRICT."

Location........................... The District is located in Harris County, approximately 17 miles west of the central downtown business district of the City of Houston. The District is located west of State Highway 6 and east of Barker-Cypress Road. The northernmost portion of the District is bounded by Langham Creek and Clay Road lies south of the District. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress Fairbanks Independent School District. See "THE DISTRICT."

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

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Inframark (the "Operator") and Jones & Carter, Inc. (the "Engineer"), the District' s water, sanitary sewer, and drainage systems did not sustain any material damage and there was no interruption of water and sanitary sewer service. However, the sewage treatment plant operated by Jackrabbit Road Public Utility District ("Jackrabbit Road PUD"), which provides sewage treatment for the District, was flooded and the mechanical, electrical and other critical components of such facilities suffered extensive damage. Such plant has been repaired and is operational. Jackrabbit Road PUD has filed insurance and FEMA claims for the cost of repairs to such facilities. Jackrabbit Road PUD estimates the total cost of repair at approximately $857,000, and the District’s share of such repair costs is approximately $187,000. Jackrabbit PUD is expecting insurance reimbursement for part of the total cost of repairs. The District is not aware of any homes or other improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Status of Development..... Approximately 462 acres in the District have been developed into the single-family subdivisions Glencairn, Westglen, Brookhollow Crossing, Sections 1 and 2, Lakes of Pine Forest, Sections 1, 2, 3, 4, 5 and 6, Pine Forest Green, Sections 1 and 2, Pine Forest Landing and Brookhollow Court, which collectively encompass 1,985 single family lots and 100 duplex lots. As of July 23, 2018, 2,070 homes were completed and occupied in the District and 11 homes were completed and unoccupied.

In addition to the single family residential development, the Green Meadow Apartments are located on approximately 9 acres in the District and consist of 240 apartment units and the Catalon Apartments are located on approximately 6 acres of land and consist of 142 apartment units. There are also approximately 16 acres of land in the District which have been developed with underground utilities for multi-family development, but which are currently vacant.

Approximately 179 acres in the District have been developed for commercial purposes including a mini warehouse facility, several strip shopping centers, three daycare facilities, two convenience stores, a car wash, an auto repair shop, and a service station. Also included in the commercial acreage are several churches, the Cy Fair Sports Association's Queenston Sports Center and two elementary schools in the Cypress Fairbanks Independent School District, all of which are exempt from ad valorem taxation. Of the 179 acres developed for commercial purposes, approximately 23 acres currently have no completed above-ground improvements constructed.

There are 64 acres in the District that are undevelopable. See "THE DISTRICT-Undeveloped Acreage."

SELECTED FINANCIAL INFORMATION

2018 Certified Taxable Assessed Valuation	$341,946,216	(a)
Gross Direct Debt Outstanding	$18,810,000	(b)
Estimated Overlapping Debt	20,101,125	
Total Gross Direct Debt and Estimated Overlapping Debt	$38,911,125	
Ratios of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	5.50%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation	11.38%	
Operating Funds Available as of August 14, 2018	$4,753,818	
Debt Service Funds Available as of August 14, 2018	$1,277,060	(c)
2018 Debt Service Tax Rate	$0.48	
2018 Maintenance Tax Rate	0.34	
Total	$0.82	
Average Annual Debt Service Requirement (2019-2040)	$1,149,501	(d)
Average Annual Debt Service Requirement (2019-2030)	$1,634,622	(d)
Maximum Annual Debt Service Requirement (2024)	$1,664,403	(d)
Tax Rate Required to Pay Average Annual Debt Service (2019-2040) at a 95% Collection Rate Based upon 2018 Certified Taxable Assessed Valuation	$0.36	
Tax Rate Required to Pay Average Annual Debt Service (2019-2030) at a 95% Collection Rate Based upon 2018 Certified Taxable Assessed Valuation	$0.51	
Tax Rate Required to Pay Maximum Annual Debt Service (2024) at a 95% Collection Rate Based upon 2018 Certified Taxable Assessed Valuation	$0.52	

Status of Development as of July 23, 2018:

Completed Single Family Homes	2,070	
Vacant Single-Family Homes	11	
Commercial Connections	33	
Other Connections	33	
Apartment Units (382 units)	2	
Estimated Population	8,009	(e)

(a) Value includes $324,147,727 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $17,798,489 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2018, which totals $341,946,216. See "TAX PROCEDURES."
(b) After giving effect to issuance of the Bonds. See " "FINANCIAL STATEMENT — Outstanding Bonds."
(c) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
(d) See "Debt Service Requirements."
(e) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

OFFICIAL STATEMENT

$2,415,000

BARKER-CYPRESS MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS, SERIES 2018

This Official Statement provides certain information in connection with the issuance by Barker-Cypress Municipal Utility District (the "District") of its $2,415,000 Unlimited Tax Bonds, Series 2018 (the "Bonds").

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

THE BONDS

General

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

Description

The Bonds will be dated November 1, 2018, with interest payable on April 1, 2019, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from November 1, 2018, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts shown under "MATURITIES PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on August 12, 1978, June 20, 1981 and November 6, 2001, voters authorized a total of $10,965,000 in principal amount of combination unlimited tax and revenue bonds and $18,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The District has issued nine series of bonds out of said authorization and has no remaining bonds authorized from such authorization. At an election held within the District on November 4, 2014, voters authorized a total of $30,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the first issuance of bonds from such authorization. After the issuance of the Bonds, a total of $27,585,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "Commission") dated September 7, 2018.

Source and Security for Payment

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

Funds

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

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on April 1 in each of the years 2031, 2034, 2036 and 2040 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on April 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced 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):

$345,000 Term Bonds Due April 1, 2031

Mandatory Redemption Date	Principal Amount
2030	$ 115,000
2031 (maturity)	230,000

$460,000 Term Bonds Due April 1, 2034

Mandatory Redemption Date	Principal Amount
2033	$ 230,000
2034 (maturity)	230,000

$460,000 Term Bonds Due April 1, 2036

Mandatory Redemption Date	Principal Amount
2035	$ 230,000
2036 (maturity)	230,000

$920,000 Term Bonds Due April 1, 2040

Mandatory Redemption Date	Principal Amount
2037	$ 230,000
2038	230,000
2039	230,000
2040 (maturity)	230,000

Notice of the mandatory redemption of the Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY-SYSTEM."

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

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

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $10,965,000 principal amount of combination unlimited tax and revenue bonds and $48,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has $30,000,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $32,477,340 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After the sale of the Bonds, the District will have $27,585,000 principal amount of unlimited tax bonds authorized and unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities.

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

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

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

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

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District has not considered calling an election for such purposes but could consider doing so in the future. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

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

Consolidation

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

Remedies in Event of Default

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge 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, including obligations that are unconditionally guaranteed by 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 investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Rights Commission, a predecessor to the Commission, dated February 20, 1974, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, (except as described below under "Strategic Partnership Agreement") is subject to the continuing supervisory jurisdiction of the Commission.

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

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

Strategic Partnership Agreement

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

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily 86 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

Description and Location

The District is located in Harris County, approximately 17 miles west of the central downtown business district of the City of Houston and contains approximately 736 acres of land. The District is located west of State Highway 6 and east of Barker-Cypress Road. The northernmost portion of the District is bounded by Langham Creek and Clay Road lies south of the District. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress Fairbanks Independent School District.

Residential Development

Approximately 462 acres have been developed into the single family subdivisions Glencairn, Westglen, Brookhollow Crossing, Sections 1 and 2, Lakes of Pine Forest, Sections 1, 2, 3, 4, 5 and 6, Pine Forest Green, Sections 1 and 2, Pine Forest Landing and Brookhollow Court, which collectively encompass 1,985 single family lots and 100 duplex lots. As of July 23, 2018, 2,070 homes were completed and occupied in the District and 11 homes were completed and unoccupied.

Multi-Family Development

Approximately 31 acres within the District have been developed for multi-family purposes, including the Green Meadow Apartments, located on approximately 9 acres and consisting of 240 apartment units, and the Catalon Apartments located on approximately 6 acres and consisting of 142 apartment units. The remaining 16 acres currently have no completed above ground improvements constructed.

Commercial Development

Approximately 179 acres in the District have been developed for commercial purposes, including a mini warehouse facility, several strip shopping centers, three daycare facilities, two convenience stores, a car wash, an auto repair shop, and a service station. Also included in the commercial acreage are several churches, the Cy Fair Sports Association's Queenston Sports Center and two elementary schools in the Cypress Fairbanks Independent School District, all of which are exempt from ad valorem taxation. Of the 179 acres developed for commercial purposes, 23 acres currently have no above-ground improvements constructed.

Undeveloped Acreage

There are approximately 64 acres in the District that are undevelopable.

MANAGEMENT

Board of Directors

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

Name	Title	Term Expires
M. T. Marks	President	May 2022
Chance Vinklarek	Vice President	May 2022
Susan Skiles	Secretary	May 2020
Bill Grzanka	Asst. Secretary	May 2020
Darryl Davis	Asst. Secretary	May 2020

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

Tax Assessor/Collector

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

System Operator

The District contracts with Inframark for maintenance and operation of the District's system.

Bookkeeper

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

Engineer

The District's consulting engineer is Jones & Carter, Inc. (the "Engineer").

Auditor

The financial statements of the District as of and for the fiscal year ended March 31, 2018, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Bond Counsel and General Counsel

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

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton, L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

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

Water Distribution and Sanitary Sewer Collection and Drainage System

The District’s System includes water, sanitary sewer and drainage facilities to serve the subdivisions and commercial tracts described under the sections “THE DISTRICT—Residential Development,” “—Commercial Development,” and “—Multi-Family Development.”

Water Supply

Water supply for the District is provided by Water Plant Nos. 2 and 3. Water Plant No. 2 consists of 418,000 gallons of ground storage tank capacity and 40,000 gallons of hydrotank capacity. The water well at Water Plant No. 2 has been plugged and abandoned because the water produced from that well exceeded the maximum contaminant level (MCL) for gross alpha particles, but the District continues to use the remaining facilities at Water Plant No. 2. Water Plant No. 3 consists of 856,000 gallons of ground storage tank capacity, 30,000 gallons of hydrotank capacity and one water well. According to the Engineer, the existing water supply facilities in combination with the surface water supplied by the West Harris County Regional Water Authority, are sufficient to serve 3,235 equivalent single-family connections ("ESFCs").

The District has a Water Supply Agreement with the West Harris County Regional Water Authority (the "Authority") for up to 600,000 gallons per day ("gpd") of surface water.

The District has emergency water supply interconnects with Harris County Municipal Utility District No. 183, Jackrabbit Road Public Utility District, Langham Creek Utility District, Northwest Harris County Municipal Utility District No. 16 and Harris County Municipal Utility District No. 136.

Subsidence District Requirements

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

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of $8.46 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP.

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

Wastewater Treatment Facilities

The District currently owns 306,000 gpd of capacity in the Langham Creek Utility District Wastewater Treatment Plant (2,000,000 gpd total plant capacity) and 1,115,000 gpd in the Jackrabbit Regional Wastewater Treatment Plant (2,250,000 gpd total plant capacity). According to the Engineer, the District' s present combined capacity in the wastewater treatment plants of 1,421,000 gpd is sufficient to serve 4,736 ESFCs.

Stormwater Drainage Facilities

The stormwater drainage within the District is collected in the underground storm sewer system. Storm water runoff from developments within the District is conveyed by storm sewer into a drainage channel which outfalls into Bear Creek for the land south of West Little York Road. Storm water runoff from Pine Forest Green is conveyed by storm sewer to the Pine Forest Green detention basin, which outfalls to drainage culverts along Clay Road and eventually to Bear Creek.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, no areas in the District are located within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

Use and Distribution of Bond Proceeds

Proceeds from the Bonds will be used to fund construction and engineering expenses for: (1) 2018 Sanitary Sewer Cleaning and Televising; (2) Sanitary Sewer Rehabilitation Phase II; (3) Water Plant Improvements; (4) Queenston Waterline Loop; and (5) Queenston Sanitary Sewer Extension. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

The construction costs below were compiled by the District's Engineer and were submitted to the Commission in the District's bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor.

CONSTRUCTION RELATED COSTS		
Construction Costs Approved by the Commission	$	2,137,500
Total Construction Related Costs	**$**	**2,137,500**
NON-CONSTRUCTION COSTS		
Underwriter's Discount (a)	$	70,123
Total Non-Construction Related Costs	**$**	**70,123**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	156,597
Bond Application Report Costs		40,000
State Regulatory Fees		8,453
Contingency (a)		2,327
Total Issuance Costs and Fees	**$**	**207,377**
TOTAL BOND ISSUE	**$**	**2,415,000**

(a) Represents surplus funds resulting from the sale of the Bonds at a lower underwriter's discount than estimated and can be used for purposes allowed and approved by the Commission.

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

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended March 31, 2014 through 2018. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended March 31				
	2018	2017	2016	2015	2014
Revenues					
Property Taxes	$ 1,170,810	$ 915,975	$ 844,155	$ 669,480	$ 591,597
Tax Rebates	9,690	11,250	7,700	8,071	7,411
Service Revenue	1,437,081	1,439,845	1,339,188	1,298,859	1,274,059
Penalty and Interest	65,176	72,714	75,757	67,331	55,626
Tap Connection & Inspection Fees	35,845	-	244,727	3,455	18,760
Interest on Deposits	29,780	17,003	12,279	8,436	8,326
Regional Water Authority Fees	724,586	691,658	649,743	603,079	616,790
Other	-	-	5,150	50,433	106,130
Total Revenues	$ 3,472,968	$ 3,148,445	$ 3,178,699	$ 2,709,144	$ 2,678,699
Expenditures					
Professional Fees	$ 283,879	$ 222,987	$ 236,129	$ 270,287	$ 247,051
Purchased Services	957,200	1,140,504	940,551	953,839	933,817
Contracted Services	486,758	481,177	461,828	443,808	449,475
Utilities	33,404	37,623	41,449	37,728	37,930
Repairs and Maintenance	493,318	541,612	457,216	341,648	364,260
Regional Water Authority	34,649	7,576	30,828	6,203	4,207
Tap Connections	35,610	-	112,045	3,200	8,820
Capital Outlay	168,382	110,144	510,975	176,327	54,690
Other	94,482	95,078	92,619	100,941	84,653
Total Expenditures	$ 2,587,682	$ 2,636,701	$ 2,883,640	$ 2,333,981	$ 2,184,903
Revenues Over (Under) Expenditures	$ 885,286	$ 511,744	$ 295,059	$ 375,163	$ 493,796
Other Sources (Interfund Transfer)	$ -	$ -	$ -	$ 7,179	$ -
Fund Balance (Beginning of Year)	$ 3,791,662	$ 3,279,918	$ 2,984,859	$ 2,602,517	$ 2,108,721
Fund Balance (End of Year)	$ 4,676,948	$ 3,791,662	$ 3,279,918	$ 2,984,859	$ 2,602,517

FINANCIAL STATEMENT (UNAUDITED)

2018 Certified Taxable Assessed Valuation	$341,946,216	(a)
Gross Direct Debt Outstanding	$ 18,810,000	(b)
Estimated Overlapping Debt	20,101,125	
Total Gross Direct Debt and Estimated Overlapping Debt	$38,911,125	

Ratios of Gross Direct Debt to:	
2018 Certified Taxable Assessed Valuation	5.50%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2018 Certified Taxable Assessed Valuation	11.38%

Area of District – 736 Acres
Estimated 2018 Population – 8,009 (c)

(a) Value includes $324,147,727 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $17,798,489 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2018, which totals $341,946,216. See "TAX PROCEDURES."
(b) After giving effect to issuance of the Bonds.
(c) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

Cash and Investment Balances (unaudited as of August 14, 2018)

Operating Fund	$	4,753,818
Debt Service Fund	$	1,277,060 (a)

(a) Accrued interest on the Bonds from their dated date to the date of delivery will be deposited into the District's Bond Fund. Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Bond Fund.

Outstanding Bonds (as of August 1, 2018)

Series	Original Principal Amount	Outstanding Bonds (as of 8/1/18)
2007	$ 5,000,000	$ 605,000
2009	2,795,000	900,000
2010	1,735,000	1,735,000
2012 (a)	3,205,000	2,120,000
2014	2,580,000	2,580,000
2015 (a)	8,775,000	8,455,000
Total		$ 16,395,000

(a) Unlimited Tax Refunding Bonds.

District Investment Policy

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

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds		As of	Overlapping Percent	Overlapping Amount
Harris County…………………………………	$ 2,208,674,361		6/30/2018	0.08%	$ 1,766,939
Harris County Flood Control District……………	83,075,000		6/30/2018	0.08%	66,460
Harris County Department of Education…………	6,555,000		6/30/2018	0.08%	5,244
Harris County Department of Education…………	59,490,000		6/30/2018	0.08%	47,592
Port of Houston Authority………………………	638,829,397		6/30/2018	0.08%	511,064
Cypress Fairbanks Independent School District..	2,517,955,000		6/30/2018	0.66%	16,618,503
Lone Star College District………………………	638,425,000		6/30/2018	0.17%	1,085,323
Total Estimated Overlapping Debt………………					$ 20,101,125
The District………………………………………	18,810,000	(a)	Current	100.00%	18,810,000
Total Direct and Estimated Overlapping Debt…..					$ 38,911,125

Ratio of Estimated Direct and Overlapping Debt to 2018 Certified Taxable Assessed Valuation………………. 11.38%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2017

	2017 Tax Rate per $100 of Taxable Assessed Valuation	
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority……………………	$ 0.635175	
Cypress Fairbanks Independent School District………………………	1.440000	
Harris County ESD No. 9…………………………………………………	0.052710	
Lone Star College System……………………………………………….	0.107800	
Total Overlapping Tax Rate……………………………………………..	$ 2.235685	
The District………………………………………………………………..	0.820000	(a)
Total Tax Rate…………………………………………………………….	$ 3.055685	

(a) The District has levied a 2018 total tax rate of $0.82.

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2018 Amount	Percent
2013	$ 235,340,569	$ 0.95	$ 2,235,725	$ 2,234,623	99.95%
2014	266,860,919	0.90	2,401,739	2,399,131	99.89%
2015	291,588,749	0.89	2,595,130	2,590,042	99.80%
2016	318,490,884	0.84	2,675,313	2,662,895	99.54%
2017	331,543,164	0.84	2,784,953	2,748,621	98.70%

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$ 0.48	$ 0.48	$ 0.55	$ 0.60	$ 0.65
Maintenance and Operations	0.34	0.36	0.29	0.29	0.25
Total	$ 0.82	$ 0.84	$ 0.84	$ 0.89	$ 0.90

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $0.75 per $100 Assessed Valuation (water, sanitary sewer and drainage facilities)

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2018 in the amount of $0.48 per $100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On November 4, 2014, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $0.75 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds which may be issued in the future. The District levied a maintenance tax for 2018 in the amount of $0.34 per $100 assessed valuation.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified 2018 tax roll of $324,147,727, which reflects ownership at January 1, 2018.

Taxpayer	Type of Property	2018 Certified Taxable Valuation	% of 2018 Certified Taxable Valuation
Rockstar Green Meadows LLC	Land & Improvements	$ 10,214,107	3.15%
Store Master Funding VI LLC	Land & Improvements	4,792,311	1.48%
Catalon Housing Partners Ltd.	Land & Improvements	4,639,526	1.43%
Lucille Hobock Family	Land & Improvements	2,342,425	0.72%
Bay Forest Properties LLC	Land & Improvements	1,792,453	0.55%
Centerpoint Energy Houston Electric	Personal	1,739,630	0.54%
SG Queenston LLC	Land	1,557,705	0.48%
VMD Enterprise Inc.	Land & Improvements	1,118,799	0.35%
Headway Estates Ltd.	Land	1,146,936	0.35%
Queenston Plaza LLC	Land & Improvements	1,065,718	0.33%
Total		$ 30,409,610	9.38%

Summary of Assessed Valuation

The following breakdown of the 2014 through 2018 Certified Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2014 through 2018 certified tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided.

	2018 Taxable Value		2017 Taxable Value	2016 Taxable Value	2015 Taxable Value	2014 Taxable Value
Land	$ 63,459,565		$ 87,081,623	$ 80,371,119	$ 78,688,643	$ 73,386,262
Improvements	311,787,023		341,164,495	329,789,367	300,841,844	276,307,563
Personal Property	4,680,034		6,009,377	6,826,229	6,973,569	6,486,510
Exemptions	(55,778,895)		(102,712,331)	(98,495,831)	(94,915,307)	(89,319,416)
Uncertified Value	17,798,489					
Total	$ 341,946,216	(a)	$ 331,543,164	$ 318,490,884	$ 291,588,749	$ 266,860,919

(a) Value includes $324,147,727 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $17,798,489 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2018, which totals $341,946,216

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Certified Taxable Assessed Valuation and no use of bond funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2019-2040)	$1,149,501
$0.36 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections	$1,169,456
Average Annual Debt Service Requirement (2019-2030)	$1,634,622
$0.51 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections	$1,656,729
Maximum Annual Debt Service Requirement (2024)	$1,664,403
$0.52 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections	$1,689,214

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2018 tax year, the District has granted an exemption of $3,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

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

Valuation of Property for Taxation

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2018, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Bonds Debt Service Requirements		Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2018	$ 313,886	(a)				$ 313,886
2019	1,562,412			$ 84,333	$ 84,333	1,646,745
2020	1,560,496			92,000	92,000	1,652,496
2021	1,568,528			92,000	92,000	1,660,528
2022	1,569,178			92,000	92,000	1,661,178
2023	1,570,628			92,000	92,000	1,662,628
2024	1,572,403			92,000	92,000	1,664,403
2025	1,535,083			92,000	92,000	1,627,083
2026	1,541,460			92,000	92,000	1,633,460
2027	1,535,730			92,000	92,000	1,627,730
2028	1,548,568			92,000	92,000	1,640,568
2029	1,569,373			92,000	92,000	1,661,373
2030	1,272,575		$ 115,000	89,700	204,700	1,477,275
2031	787,750		230,000	82,800	312,800	1,100,550
2032	563,125		230,000	74,175	304,175	867,300
2033	545,625		230,000	65,838	295,838	841,463
2034	527,813		230,000	57,213	287,213	815,025
2035	509,375		230,000	48,588	278,588	787,963
2036	-		230,000	39,963	269,963	269,963
2037	-		230,000	31,194	261,194	261,194
2038	-		230,000	22,281	252,281	252,281
2039	-		230,000	13,369	243,369	243,369
2040	-		230,000	4,456	234,456	234,456
Total	$ 21,654,004		$ 2,415,000	$ 1,533,908	$ 3,948,908	$ 25,602,912

(a) Excludes April 1, 2018 debt service payment of $1,146,585 previously paid.

Maximum Annual Debt Service Requirement (2024) $1,664,403
Average Annual Debt Service Requirements (2019-2030) $1,634,622
Average Annual Debt Service Requirements (2019-2040) $1,149,501

INVESTMENT CONSIDERATIONS

General

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

Recent Tropical Weather Events; Hurricane Harvey

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

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Inframark (the "Operator") and Jones & Carter, Inc. (the "Engineer"), the District' s water, sanitary sewer, and drainage systems did not sustain any material damage and there was no interruption of water and sanitary sewer service. However, the sewage treatment plant operated by Jackrabbit Road Public Utility District ("Jackrabbit Road PUD"), which provides sewage treatment for the District, was flooded and the mechanical, electrical and other critical components of such facilities suffered extensive damage. Such plant has been repaired and is operational. Jackrabbit Road PUD has filed insurance and FEMA claims for the cost of repairs to such facilities. Jackrabbit Road PUD estimates the total cost of repair at approximately $857,000, and the District’s share of such repair costs is approximately $187,000. Jackrabbit PUD is expecting insurance reimbursement for part of the total cost of repairs. The District is not aware of any homes or other improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2018 Certified Taxable Assessed Valuation is $341,946,216. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be $1,664,403 (2024), the average annual debt service requirement for 2019-2030 will be $1,634,622 and the average annual debt service requirement for 2019-2040 will be $1,149,501. Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation and no use of other funds other than tax collections, a tax rate of $0.52 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,664,403, a tax rate of $0.51 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,634,622 (2019-2030) and a tax rate of $0.36 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,149,501 (2019-2040). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2018 Certified Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

After the issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining $27,585,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities for the District, and the $29,615,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District and any additional bonds which may be voted hereafter. See "THE BONDS—Issuance of Additional Debt", "Financing Parks and Recreational Facilities" and "Financing Road Facilities." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS – Issuance of Additional Debt."

Environmental and Air Quality Regulations

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Commission 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 2007 as a severe ozone nonattainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA "8-hour" ozone standards are met. The EPA granted the governor's request to voluntarily reclassify the HGB ozone nonattainment area from a moderate to a severe nonattainment area for the 1997 eight-hour ozone standard, effective October 31, 2008. The HGB area's new attainment deadline for the 1997 eight-hour ozone standard must be attained as expeditiously as practicable, but no later than June 15, 2019. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's standards, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

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

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

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

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

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

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

The Commission reissued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (TXR040000) on December 13, 2013. TXR040000 became effective on December 13, 2013 and authorizes the discharge of stormwater to surface waters within the state from small municipal separate storm sewer systems ("Small MS4s"). TXR040000, as reissued, impacts a much greater number of Small MS4s that were not subject to the prior permit due to the 2010 Urbanized Area data released from the US Census Bureau. TXR040000, as reissued, also contains more stringent requirements compared to the prior permit. Small MS4s that are subject to TXR040000, as reissued, must apply for authorization under such permit by June 11, 2014. Notwithstanding the foregoing, the District is located within Harris County and its Small MS4 is subject to regulation by Harris County. Harris County, along with the City of Houston, Harris County Flood Control District, and the Texas Department of Transportation (collectively, the "Joint Task Force") have been issued a joint permit by the United States Environmental Protection Agency which authorizes the discharge of stormwater to surface waters within the state from their respective separate storm sewer systems. Joint Task Force members regulate stormwater discharges within their respective jurisdictions under their Texas Pollutant Discharge Elimination System Permit No. WQ0004685000. Harris County regulates the District's Small MS4 and, therefore, the Commission does not at this time require the District to obtain coverage under TXR040000. Small MS4 regulation by Joint Task Force members may change in the future and the Commission may require the District to obtain coverage under TXR040000 in the future.

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

Tax Collection Limitations

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

Registered Owners Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Beneficial 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 Beneficial Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Future and Proposed Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

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

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

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc.(the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0963% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.988021% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The delivery of the Bonds is conditional upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of Initial Purchaser or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of "A-" to the Bonds. An explanation of the ratings may be obtained from S&P, 55 Water Street, New York, New York 10041.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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 June 26, 2018, S&P announced it had 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 May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On January 23, 2018, KBRA announced it had 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.

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 June 30, 2018:

- The policyholders' surplus of AGM was approximately $2,221 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE 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 documents 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:

(i) 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);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 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".

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

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

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

Consultants

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

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

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

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

Auditor: The financial statements of the District as of and for the fiscal year ended March 31, 2018, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated 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 STATEMENT," "TAX DATA," "THE SYSTEM," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's audited financial statements) and in Appendix A (District Audited Financial Statements and Certain Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2019.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

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

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

For the last five years, the District has been in compliance in all material respects with its previous disclosure undertakings made in accordance with the Rule, except as follows: the District's audit and annual report for fiscal year 2014 was timely filed, but not linked to the District's Unlimited Tax Bonds, Series 2014. The appropriate notice of late filing was made. The District has established procedures to ensure future disclosures are prepared and submitted in a timely manner. These filings are publicly available on EMMA.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Barker-Cypress Municipal Utility District, as of the date shown on the cover page.

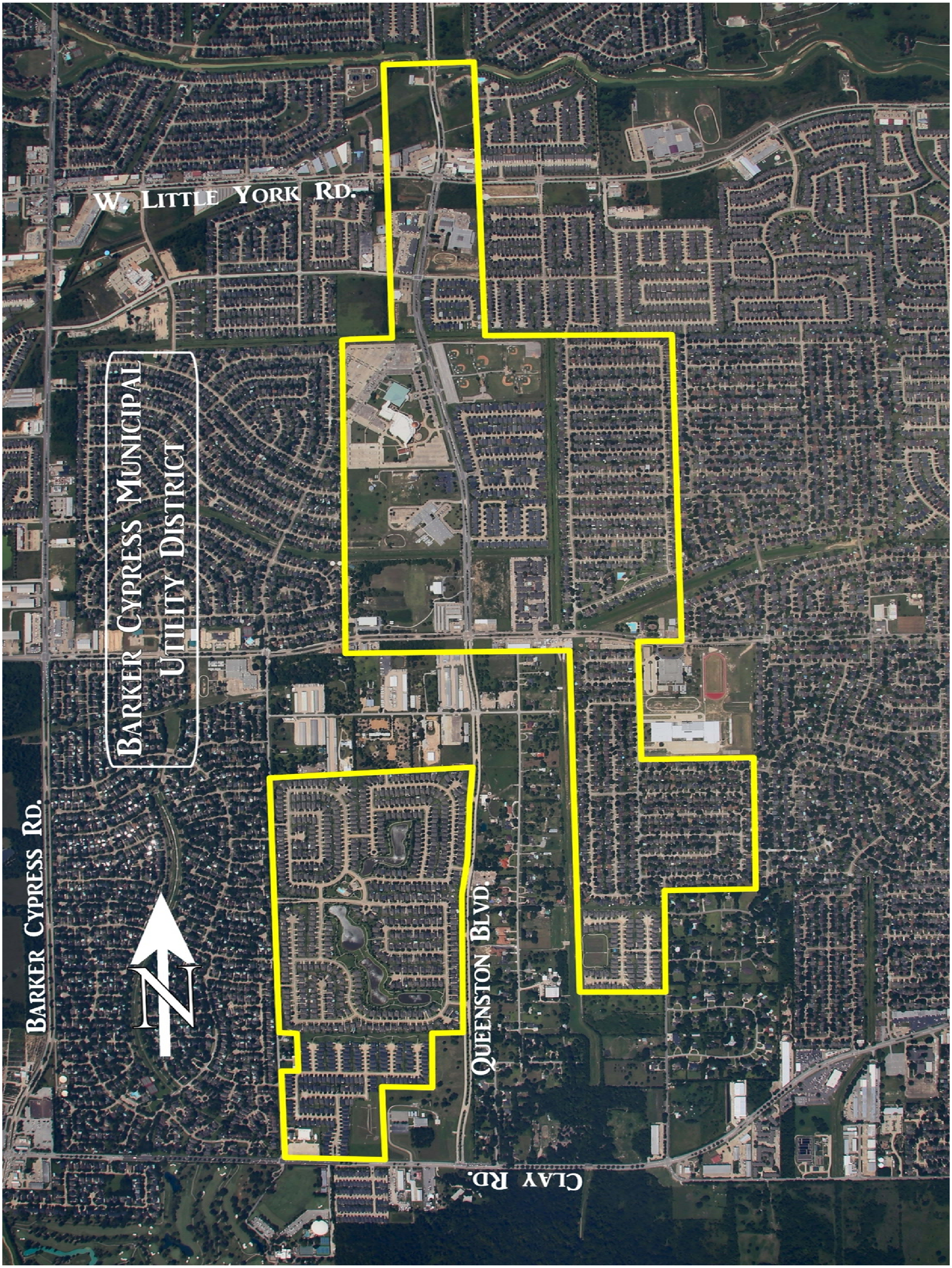
/s/ M.T. Marks
President, Board of Directors
Barker-Cypress Municipal Utility District

ATTEST:

/s/ Susan Skiles
Secretary, Board of Directors
Barker-Cypress Municipal Utility District

AERIAL PHOTO

(Approximate boundaries as of July, 2018)



W. Little York Rd.
Barker Cypress Municipal Utility District
Barker Cypress Rd.
N
Queenston Blvd.
Clay Rd.

PHOTOGRAPHS

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


PHO 10
HAIR
PRE-SCHOOL CHILDCARE


NO PARKING FIRE LANE


17223


SING CT
17222


17218


17111


4619


16919


Green
Meadows
231-859-6053
&
LEASE
SPECIAL


17218

APPENDIX A

District Audited Financial Statements for the fiscal year ended March 31, 2018

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Barker-Cypress Municipal Utility District and certain supplemental information for the fiscal year ended March 31, 2018.

Barker-Cypress Municipal Utility District

Harris County, Texas

Independent Auditor's Report and Financial Statements

March 31, 2018

BKD LLP
CPAs & Advisors

Barker-Cypress Municipal Utility District
March 31, 2018

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Independent Auditor's Report

Board of Directors
Barker-Cypress Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Barker-Cypress Municipal Utility District (the District), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Houston, Texas
August 8, 2018

Barker-Cypress Municipal Utility District
Management's Discussion and Analysis
March 31, 2018

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2018	2017
Current and other assets	$ 6,660,883	$ 6,274,318
Capital assets	12,638,645	12,704,512
Total assets	19,299,528	18,978,830
Deferred outflows of resources	703,221	755,978
Total assets and deferred outflows of resources	$ 20,002,749	$ 19,734,808
Long-term liabilities	$ 16,847,340	$ 17,706,230
Other liabilities	418,715	826,705
Total liabilities	17,266,055	18,532,935
Net position:		
Net investment in capital assets	(3,389,394)	(3,864,414)
Restricted	1,396,832	1,248,308
Unrestricted	4,729,256	3,817,979
Total net position	$ 2,736,694	$ 1,201,873

The total net position of the District increased by $1,534,821. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Barker-Cypress Municipal Utility District
Management's Discussion and Analysis (Continued)
March 31, 2018

Summary of Changes in Net Position

	2018	2017
Revenues:		
Property taxes	$ 2,795,840	$ 2,660,678
Charges for services	2,161,667	2,131,503
Other revenues	239,740	133,651
Total revenues	5,197,247	4,925,832
Expenses:		
Services	2,505,781	2,605,420
Depreciation	485,329	401,339
Debt service	671,316	636,450
Total expenses	3,662,426	3,643,209
Change in net position	1,534,821	1,282,623
Net position, beginning of year	1,201,873	(80,750)
Net position, end of year	$ 2,736,694	$ 1,201,873

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended March 31, 2018, were $6,094,848, an increase of $735,005 from the prior year.

The general fund's fund balance increased by $885,286. This increase was primarily due to property taxes and service revenues exceeding service operation and capital outlay expenditures.

The debt service fund's fund balance increased by $114,809 primarily due to property tax revenues generated being greater than bond principal and interest requirements.

The capital projects fund's fund balance decreased by $265,090 due to capital outlay expenditures incurred for the District's share of the sanitary sewer rehabilitation project and other various projects.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues, professional fees and capital outlay expenditures being greater than anticipated, and regional water fee revenues, purchased services and repairs and maintenance expenditures being less than anticipated. The fund balance as of March 31, 2018, was expected to be $4,404,494 and the actual end-of-year fund balance was $4,676,948.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2018	2017
Land and improvements	$ 2,004,578	$ 1,910,312
Construction in progress	23,823	1,973,129
Water facilities	3,714,524	3,823,652
Wastewater facilities	6,895,720	4,997,419
Total capital assets	$ 12,638,645	$ 12,704,512

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

Construction in progress related to wastewater treatment plant improvements, Phase 4 and the improvements at water plant No.'s 2 and 3	$ 23,823
Lakes of Pine Forest drainage swale regrade, Phase II	56,360
Sanitary sewer rehabilitation	48,534
Lakes of Pine Forest rehabilitation of lift station	101,156
Replacement of splitter box	5,750
Wastewater treatment plant conveyor replacement	52,638
Wastewater treatment plant non-potable water system expansion	55,887
Queenston Blvd and Coventry Park water line relocation	75,314
Total additions to capital assets	$ 419,462

Debt

The changes in the debt position of the District during the fiscal year ended March 31, 2018, are summarized as follows.

Long-term debt payable, beginning of year	$ 17,706,230
Decreases in long-term debt	(858,890)
Long-term debt payable, end of year	$ 16,847,340

At March 31, 2018, the District had $30,000,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A-." The Series 2007 and 2009 bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2010 and 2012 refunding bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 and Series 2015 refunding bonds carry a "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

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

Strategic Partnership Agreement

In 2011, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years following the date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Barker-Cypress Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 847,988	$ 212,143	$ 252,184	$ 1,312,315	$ -	$ 1,312,315
Certificates of deposit	2,460,000	580,000	-	3,040,000	-	3,040,000
Short-term investments	1,343,184	542,045	-	1,885,229	-	1,885,229
Receivables:						
Property taxes	52,308	76,306	-	128,614	-	128,614
Service accounts	154,838	-	-	154,838	-	154,838
Tax rebates	2,000	-	-	2,000	-	2,000
Accrued penalty and interest	-	-	-	-	18,706	18,706
Accrued interest	10,370	285	-	10,655	-	10,655
Interfund receivable	168,131	-	-	168,131	(168,131)	-
Due from others	865	-	-	865	-	865
Prepaid expenditures	17,291	-	-	17,291	-	17,291
Operating deposits	90,370	-	-	90,370	-	90,370
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	2,004,578	2,004,578
Construction in progress	-	-	-	-	23,823	23,823
Infrastructure	-	-	-	-	10,610,244	10,610,244
Total assets	5,147,345	1,410,779	252,184	6,810,308	12,489,220	19,299,528
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	703,221	703,221
Total assets and deferred outflows of resources	$ 5,147,345	$ 1,410,779	$ 252,184	$ 6,810,308	$ 13,192,441	$ 20,002,749

Barker-Cypress Municipal Utility District

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

March 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 196,527	$ 626	$ -	$ 197,153	$ -	$ 197,153
Customer deposits	221,562	-	-	221,562	-	221,562
Interfund payable	-	43,226	124,905	168,131	(168,131)	-
Long-term liabilities:						
Due within one year	-	-	-	-	950,000	950,000
Due after one year	-	-	-	-	15,897,340	15,897,340
Total liabilities	418,089	43,852	124,905	586,846	16,679,209	17,266,055
Deferred Inflows of Resources						
Deferred property tax revenues	52,308	76,306	0	128,614	(128,614)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	17,291	-	-	17,291	(17,291)	-
Restricted:						
Unlimited tax bonds	-	1,290,621	-	1,290,621	(1,290,621)	-
Water, sewer and drainage	-	-	127,279	127,279	(127,279)	-
Assigned, operating reserve	90,370	-	-	90,370	(90,370)	-
Unassigned	4,569,287	-	-	4,569,287	(4,569,287)	-
Total fund balances	4,676,948	1,290,621	127,279	6,094,848	(6,094,848)	0
Total liabilities, deferred inflows of resources and fund balances	$ 5,147,345	$ 1,410,779	$ 252,184	$ 6,810,308		
Net position:						
Net investment in capital assets					(3,389,394)	(3,389,394)
Restricted for debt service					1,385,633	1,385,633
Restricted for capital projects					11,199	11,199
Unrestricted					4,729,256	4,729,256
Total net position					$ 2,736,694	$ 2,736,694

Barker-Cypress Municipal Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,170,810	$ 1,572,887	$ -	$ 2,743,697	$ 52,143	$ 2,795,840
Tax rebates	9,690	-	-	9,690	-	9,690
Water service	523,817	-	-	523,817	-	523,817
Sewer service	913,264	-	-	913,264	-	913,264
Regional water fee	724,586	-	-	724,586	-	724,586
Penalty and interest	65,176	80,054	-	145,230	7,407	152,637
Tap connection and inspection fees	35,845	-	-	35,845	-	35,845
Investment income	29,780	10,708	1,066	41,554	-	41,554
Other income	-	14	-	14	-	14
Total revenues	3,472,968	1,663,663	1,066	5,137,697	59,550	5,197,247
Expenditures/Expenses						
Service operations:						
Purchased services	957,200	-	-	957,200	-	957,200
Regional water fee	34,649	-	-	34,649	-	34,649
Professional fees	283,879	8,109	-	291,988	14,857	306,845
Contracted services	486,758	53,163	-	539,921	-	539,921
Utilities	33,404	-	-	33,404	-	33,404
Repairs and maintenance	493,318	-	-	493,318	-	493,318
Other expenditures	94,482	10,133	219	104,834	-	104,834
Tap connections	35,610	-	-	35,610	-	35,610
Capital outlay	168,382	-	265,937	434,319	(434,319)	-
Depreciation	-	-	-	-	485,329	485,329
Debt service:						
Principal retirement	-	820,000	-	820,000	(820,000)	-
Interest and fees	-	657,449	-	657,449	13,867	671,316
Total expenditures/expenses	2,587,682	1,548,854	266,156	4,402,692	(740,266)	3,662,426
Excess (Deficiency) of Revenues Over Expenditures	885,286	114,809	(265,090)	735,005	(735,005)	
Change in Net Position					1,534,821	1,534,821
Fund Balances/Net Position						
Beginning of year	3,791,662	1,175,812	392,369	5,359,843	-	1,201,873
End of year	$ 4,676,948	$ 1,290,621	$ 127,279	$ 6,094,848	$ 0	$ 2,736,694

Barker-Cypress Municipal Utility District
Notes to Financial Statements
March 31, 2018

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

Barker-Cypress Municipal Utility District (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective February 20, 1974, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

The District is a participant in two regional wastewater treatment plants, as further described in Note 8. The facilities are governed by the Board of Directors of Jackrabbit Road Public Utility District (Jackrabbit) and Langham Creek Utility District (Langham), respectively. The respective Boards of Directors of those districts have the responsibility of approving budgets, setting rates and determining the day-to-day operations. The District retains an ongoing financial interest and responsibility. The District's operating transactions with the facilities are reported in the general fund. Further financial information for the facilities may be obtained from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056.

Government-wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended March 31, 2018, include collections during the current period or within 60 days of year-end related to the 2017 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended March 31, 2018, the 2017 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	12,638,645
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		128,614
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.		703,221
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.		18,706
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(16,847,340)
Adjustment to fund balances to arrive at net position.	$	(3,358,154)

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

Change in fund balances.	$	735,005
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current year.		(65,867)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.		820,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.		59,550
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(13,867)
Change in net position of governmental activities.	$	1,534,821

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At March 31, 2018, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

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

At March 31, 2018, the District has the following investments and maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	$ 1,885,229	$ 1,885,229	$ 0	$ 0	$ 0

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2018, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at March 31, 2018, as follows:

Carrying value:	
Deposits	$ 4,352,315
Investments	1,885,229
Total	$ 6,237,544

Included in the following statement of net position captions:

Cash	$ 1,312,315
Certificates of deposit	3,040,000
Short-term investments	1,885,229
Total	$ 6,237,544

Investment Income

Investment income of $41,554 for the year ended March 31, 2018, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of March 31, 2018:

- Pooled investments of $1,885,229 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended March 31, 2018, is presented below.

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi-cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 1,910,312	$ 94,266	$ -	$ 2,004,578
Construction in progress	1,973,129	23,823	(1,973,129)	23,823
Total capital assets, non-depreciable	3,883,441	118,089	(1,973,129)	2,028,401
Capital assets, depreciable:				
Water production and distribution facilities	6,832,216	75,313	-	6,907,529
Wastewater collection and treatment facilities	8,251,340	226,060	1,973,129	10,450,529
Total capital assets, depreciable	15,083,556	301,373	1,973,129	17,358,058
Less accumulated depreciation:				
Water production and distribution facilities	(3,008,564)	(184,441)	-	(3,193,005)
Wastewater collection and treatment facilities	(3,253,921)	(300,888)	-	(3,554,809)
Total accumulated depreciation	(6,262,485)	(485,329)	0	(6,747,814)
Total governmental activities, net	$ 12,704,512	$ (65,867)	$ 0	$ 12,638,645

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended March 31, 2018, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	$ 17,215,000	$ 820,000	$ 16,395,000	$ 950,000
Less discounts on bonds	152,664	13,191	139,473	-
Add premiums on bonds	643,894	52,081	591,813	-
Total governmental activities long-term liabilities	$ 17,706,230	$ 858,890	$ 16,847,340	$ 950,000

General Obligation Bonds

	Series 2007	Series 2009
Amounts outstanding, March 31, 2018	$605,000	$900,000
Interest rates	4.125%	4.25% to 5.75%
Maturity dates, serially beginning/ending	April 1, 2019/2020	April 1, 2019/2027
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2017	April 1, 2019

	Series 2010	Refunding Series 2012
Amounts outstanding, March 31, 2018	$1,735,000	$2,120,000
Interest rates	4.00% to 5.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2025/2031	April 1, 2019/2024
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2019	April 1, 2020

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

	Series 2014	Refunding Series 2015
Amounts outstanding, March 31, 2018	$2,580,000	$8,455,000
Interest rates	3.30% to 3.75%	2.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2025/2035	April 1, 2019/2030
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2022	April 1, 2023

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

During a prior fiscal year, the District defeased part of its Series 2009 bonds by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed from the District's long-term liabilities. As of March 31, 2018, the amount of defeased debt outstanding but removed from long-term liabilities is $1,895,000.

Annual Debt Service Requirements

The District has been paying the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at March 31, 2018.

Year	Principal	Interest	Total
2019	$ 950,000	$ 627,771	$ 1,577,771
2020	980,000	597,053	1,577,053
2021	1,020,000	563,940	1,583,940
2022	1,055,000	533,115	1,588,115
2023	1,095,000	495,240	1,590,240
2024-2028	6,060,000	1,797,640	7,857,640
2029-2033	4,235,000	588,620	4,823,620
2034-2035	1,000,000	55,625	1,055,625
Total	$ 16,395,000	$ 5,259,004	$ 21,654,004

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

Bonds voted	$ 59,885,000
Bonds sold	29,885,000
Refunding bonds voted	32,477,340
Refunding bonds sold and applied against voted authorization	2,862,340

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended March 31, 2018, the District levied an ad valorem debt service tax at the rate of $0.4800 per $100 of assessed valuation, which resulted in a tax levy of $1,592,706 on the taxable valuation of $331,814,953 for the 2017 tax year. The interest and principal requirements to be paid from the tax revenues are $1,460,471 of which $1,146,586 has been paid and $313,885 is due October 1, 2018. The District will utilize available resources to satisfy the requirements.

Note 6: Maintenance Taxes

At an election held November 4, 2014, voters authorized a maintenance tax not to exceed $0.75 per $100 valuation on all property within the District subject to taxation. During the year ended March 31, 2018, the District levied an ad valorem maintenance tax at the rate of $0.3600 per $100 of assessed valuation, which resulted in a tax levy of $1,194,530 on the taxable valuation of $331,814,953 for the 2017 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of March 31, 2018, the Authority was billing the District $2.70 per 1,000 gallons of water pumped from its wells and $3.10 per 1,000 gallons of surface water received. These amounts are subject to future increases.

Note 8: Contracts With Other Districts

Regional Wastewater Treatment Facilities

The District entered into an agreement on April 11, 1978 (last amended November 13, 2007), with Jackrabbit for construction and operational cost sharing of wastewater treatment facilities located within Jackrabbit, whereby Jackrabbit agreed to provide, or cause to be provided, wastewater treatment and disposal services for the District and other participating districts. Jackrabbit has oversight responsibilities and holds title for the benefit of the participating districts. Construction costs were shared based on a pro rata share of capacity acquired. The District has contributed approximately $980,000 for its ownership of 1,115,000 gallons-per-day (gpd) capacity or 21.86 percent of the facilities' 5,100,000 gpd capacity.

Jackrabbit operates the regional facilities. Operational cost sharing is based on each district's ownership of capacity in the facility. The District's share of operational costs for the year was $236,408. The District has contributed $62,044 to Jackrabbit as its share of an operating reserve.

The following is condensed audited financial information of the joint facilities as of and for the year ended July 31, 2017.

	Plant General Fund
Total assets	$ 427,991
Total liabilities	$ 132,975
Total fund balance	295,016
Total liabilities and fund balance	$ 427,991
Total revenues	$ 1,794,666
Total expenditures	1,794,666
Excess revenues	$ 0

As a result of Hurricane Harvey, Jackrabbit experienced heavy flooding and sustained material damage at its facilities, including the regional waste treatment plant, and estimates damages incurred to be approximately $1,500,000. Jackrabbit has filed an insurance claim with their insurance provider and a claim with the Federal Emergency Management Agency (FEMA) and has received $750,000 from their insurance company with invoices still being reviewed under the claim.

Joint Wastewater Treatment Facilities

On July 19, 1982, the District entered into a 40-year contract with Langham for the expansion and operation of a wastewater treatment plant owned by Langham. Construction costs of the plant expansion were shared based on pro rata shares of capacity acquired. The District paid approximately $825,000 for its ownership of 650,000 gpd capacity.

The agreement was amended June 12, 1986, to redefine operational cost sharing. Subsequent to the amendment, the cost of power, insurance, laboratory testing, permit fees, bookkeeping, auditing and extraordinary repairs are shared based on ownership capacity. All other costs are shared based on plant usage. The District's share of operational costs for the year was $36,550. The District has contributed $28,326 to Langham as its share of operating reserve.

On October 8, 1997, the districts entered into a second amendment, pursuant to which the District sold Langham 12,000 gpd.

On December 11, 2001, the districts entered into a third amendment, which provides that the District will sell Langham 332,000 gpd for $830,000. The sale occurred during a prior year and the District's current share of fixed operating costs is 15.3 percent.

Note 9: Strategic Partnership Agreement

In 2011, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded $9,690 in revenues related to the Agreement.

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

Required Supplementary Information

Barker-Cypress Municipal Utility District
Budgetary Comparison Schedule – General Fund
Year Ended March 31, 2018

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 906,978	$ 1,170,810	$ 263,832
Tax rebates	10,000	9,690	(310)
Water service	568,000	523,817	(44,183)
Sewer service	905,600	913,264	7,664
Regional water fee	919,000	724,586	(194,414)
Penalty and interest	80,000	65,176	(14,824)
Tap connection and inspection fees	5,000	35,845	30,845
Investment income	19,240	29,780	10,540
Total revenues	3,413,818	3,472,968	59,150
Expenditures			
Service operations:			
Purchased services	1,307,530	957,200	350,330
Regional water fee	9,000	34,649	(25,649)
Professional fees	228,000	283,879	(55,879)
Contracted services	489,656	486,758	2,898
Utilities	40,000	33,404	6,596
Repairs and maintenance	540,000	493,318	46,682
Other expenditures	101,800	94,482	7,318
Tap connections	5,000	35,610	(30,610)
Capital outlay	80,000	168,382	(88,382)
Total expenditures	2,800,986	2,587,682	213,304
Excess of Revenues Over Expenditures	612,832	885,286	272,454
Fund Balance, Beginning of Year	3,791,662	3,791,662	-
Fund Balance, End of Year	$ 4,404,494	$ 4,676,948	$ 272,454

Barker-Cypress Municipal Utility District

Notes to Required Supplementary Information

March 31, 2018

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2018.

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

Other Information

Barker-Cypress Municipal Utility District

Other Schedules Included Within This Report

March 31, 2018

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-26

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Barker-Cypress Municipal Utility District

Schedule of Services and Rates

Year Ended March 31, 2018

1. Services provided by the District:

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
___ Parks/Recreation	___ Fire Protection	X Security
X Solid Waste/Garbage	___ Flood Control	___ Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

___ Other ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 6.00	3,000	N	$ 1.45	3,001	to	7,000
				$ 2.10	7,001	to	20,000
				$ 2.25	20,001	to	No limit
Wastewater:	$ 25.00 *	0	Y				
Regional water fee:	$ 3.41	1	N	$ 3.41	1	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 52.20 Wastewater $ 25.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC**
Unmetered	-	-	x1.0	-
≤ 3/4"	2,094	2,084	x1.0	2,084
1"	12	12	x2.5	30
1 1/2"	2	2	x5.0	10
2"	30	30	x8.0	240
3"	3	3	x15.0	45
4"	5	5	x25.0	125
6"	1	1	x50.0	50
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	2,149	2,139		2,744
Total wastewater	2,116	2,108	x1.0	2,108

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

Gallons pumped into the system:	249,381
Gallons billed to customers:	238,604
Water accountability ratio (gallons billed/gallons pumped):	95.68%

*Residents of Pine Forest Green, Pine Forest Landing, Brookhollow Crossing and Brookhollow Court are charged $42.55, which includes solid waste disposal. Solid waste disposal is not currently provided by the District within its other subdivisions but is rather provided through the respective homeowner's associations.

**"ESFC" means equivalent single-family connections

Barker-Cypress Municipal Utility District

Schedule of General Fund Expenditures

Year Ended March 31, 2018

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 20,000	
Legal	117,832	
Engineering	146,047	
Financial advisor	-	283,879
Purchased Services for Resale		
Bulk water and wastewater service purchases		957,200
Regional Water Fee		34,649
Contracted Services		
Bookkeeping	30,001	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	202,628	
Other contracted services	156,943	389,572
Utilities		33,404
Repairs and Maintenance		493,318
Administrative Expenditures		
Directors' fees	15,150	
Office supplies	5,039	
Insurance	18,838	
Other administrative expenditures	55,455	94,482
Capital Outlay		
Capitalized assets	155,024	
Expenditures not capitalized	13,358	168,382
Tap Connection Expenditures		35,610
Solid Waste Disposal		97,186
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 2,587,682

Barker-Cypress Municipal Utility District
Schedule of Temporary Investments
March 31, 2018

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 414	1.00%	04/23/18	$ 240,000	$ 2,216
No. 100141696	1.10%	07/21/18	100,000	762
No. 100141931	0.85%	08/31/18	140,000	283
No. 488239	1.25%	02/23/19	240,000	296
No. 530407	0.62%	05/13/18	240,000	1,304
No. 62121	1.00%	06/06/18	240,000	1,953
No. 312090	1.00%	02/01/19	100,000	156
No. 4188776	1.20%	03/08/19	240,000	184
No. 5005228	0.85%	08/11/18	240,000	1,296
No. 460018508	1.10%	03/08/19	240,000	166
No. 12594	1.25%	02/02/19	100,000	195
No. 7000001587	0.60%	04/17/18	240,000	1,369
No. 5290	1.05%	01/24/19	100,000	190
Texas CLASS	1.85%	Demand	1,323,345	-
Texas CLASS	1.85%	Demand	19,839	-
			3,803,184	10,370
Debt Service Fund				
Certificates of Deposit				
No. 66000692	1.60%	03/22/19	240,000	95
No. 6116412	1.10%	03/13/19	240,000	130
No. 7718	1.10%	03/11/19	100,000	60
Texas CLASS	1.85%	Demand	542,045	-
			1,122,045	285
Totals			$ 4,925,229	$ 10,655

Barker-Cypress Municipal Utility District

Analysis of Taxes Levied and Receivable

Year Ended March 31, 2018

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 25,626	$ 50,845
Additions and corrections to prior years' taxes	2,962	5,642
Adjusted receivable, beginning of year	28,588	56,487
2017 Original Tax Levy	1,125,781	1,501,041
Additions and corrections	68,749	91,665
Adjusted tax levy	1,194,530	1,592,706
Total to be accounted for	1,223,118	1,649,193
Tax collections: Current year	(1,151,011)	(1,534,681)
Prior years	(19,799)	(38,206)
Receivable, end of year	$ 52,308	$ 76,306
Receivable, by Years		
2017	$ 43,519	$ 58,025
2016	5,066	9,608
2015	2,162	4,473
2014	987	2,568
2013	425	1,190
2012	139	411
2011	2	7
2010	2	6
2009	2	6
2008	2	6
2007	2	6
Receivable, end of year	$ 52,308	$ 76,306

Barker-Cypress Municipal Utility District

Analysis of Taxes Levied and Receivable (Continued)

Year Ended March 31, 2018

	2017	2016	2015	2014
Property Valuations				
Land	$ 87,081,623	$ 79,403,835	$ 78,825,451	$ 73,456,627
Improvements	341,526,304	328,096,865	300,788,792	276,393,662
Personal property	5,808,796	5,564,910	5,204,142	5,319,660
Exemptions	(102,601,770)	(95,526,106)	(92,746,684)	(87,315,639)
Total property valuations	$ 331,814,953	$ 317,539,504	$ 292,071,701	$ 267,854,310
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.4800	$ 0.5500	$ 0.6000	$ 0.6500
Maintenance tax rates*	0.3600	0.2900	0.2900	0.2500
Total tax rates per $100 valuation	$ 0.8400	$ 0.8400	$ 0.8900	$ 0.9000
Tax Levy	$ 2,787,236	$ 2,667,322	$ 2,599,428	$ 2,410,679
Percent of Taxes Collected to Taxes Levied**	96%	99%	99%	99%

*Maximum tax rate approved by voters: $0.75 on November 4, 2014

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

Barker-Cypress Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years
March 31, 2018

	Series 2007		
Due During Fiscal Years Ending March 31	**Principal Due April 1**	**Interest Due October 1, April 1**	**Total**
2019	$ 295,000	$ 24,956	$ 319,956
2020	310,000	12,788	322,788
Totals	$ 605,000	$ 37,744	$ 642,744

The District pays the amount due April 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Barker-Cypress Municipal Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

March 31, 2018

	Series 2009		
Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due October 1, April 1	Total
2019	$ 100,000	$ 49,250	$ 149,250
2020	100,000	45,000	145,000
2021	100,000	39,375	139,375
2022	100,000	33,750	133,750
2023	100,000	28,125	128,125
2024	100,000	22,500	122,500
2025	100,000	16,875	116,875
2026	100,000	11,250	111,250
2027	100,000	5,625	105,625
Totals	$ 900,000	$ 251,750	$ 1,151,750

The District pays the amount due April 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Barker-Cypress Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
March 31, 2018

	Series 2010		
Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due October 1, April 1	Total
2019	$ -	$ 79,000	$ 79,000
2020	-	79,000	79,000
2021	-	79,000	79,000
2022	-	79,000	79,000
2023	-	79,000	79,000
2024	-	79,000	79,000
2025	200,000	79,000	279,000
2026	200,000	71,000	271,000
2027	200,000	62,750	262,750
2028	150,000	54,500	204,500
2029	150,000	48,125	198,125
2030	335,000	41,750	376,750
2031	500,000	25,000	525,000
Totals	$ 1,735,000	$ 856,125	$ 2,591,125

The District pays the amount due April 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Barker-Cypress Municipal Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

March 31, 2018

Due During Fiscal Years Ending March 31	Refunding Series 2012 Principal Due April 1	Interest Due October 1, April 1	Total
2019	$ 320,000	$ 78,300	$ 398,300
2020	330,000	68,700	398,700
2021	340,000	58,800	398,800
2022	360,000	45,200	405,200
2023	375,000	30,800	405,800
2024	395,000	15,800	410,800
Totals	$ 2,120,000	$ 297,600	$ 2,417,600

The District pays the amount due April 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Barker-Cypress Municipal Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

March 31, 2018

	Series 2014		
Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due October 1, April 1	Total
2019	$ -	$ 91,315	$ 91,315
2020	-	91,315	91,315
2021	-	91,315	91,315
2022	-	91,315	91,315
2023	-	91,315	91,315
2024	-	91,315	91,315
2025	30,000	91,315	121,315
2026	35,000	90,325	125,325
2027	35,000	89,170	124,170
2028	40,000	88,015	128,015
2029	40,000	86,695	126,695
2030	200,000	85,375	285,375
2031	200,000	78,625	278,625
2032	500,000	71,875	571,875
2033	500,000	54,375	554,375
2034	500,000	36,875	536,875
2035	500,000	18,750	518,750
Totals	$ 2,580,000	$ 1,339,285	$ 3,919,285

The District pays the amount due April 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Barker-Cypress Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
March 31, 2018

	Refunding Series 2015		
Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due October 1, April 1	Total
2019	$ 235,000	$ 304,950	$ 539,950
2020	240,000	300,250	540,250
2021	580,000	295,450	875,450
2022	595,000	283,850	878,850
2023	620,000	266,000	886,000
2024	645,000	247,400	892,400
2025	820,000	221,600	1,041,600
2026	870,000	188,800	1,058,800
2027	915,000	154,000	1,069,000
2028	1,125,000	117,400	1,242,400
2029	1,200,000	72,400	1,272,400
2030	610,000	24,400	634,400
Totals	$ 8,455,000	$ 2,476,500	$ 10,931,500

The District pays the amount due April 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Barker-Cypress Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
March 31, 2018

	Annual Requirements For All Series		
Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	$ 950,000	$ 627,771	$ 1,577,771
2020	980,000	597,053	1,577,053
2021	1,020,000	563,940	1,583,940
2022	1,055,000	533,115	1,588,115
2023	1,095,000	495,240	1,590,240
2024	1,140,000	456,015	1,596,015
2025	1,150,000	408,790	1,558,790
2026	1,205,000	361,375	1,566,375
2027	1,250,000	311,545	1,561,545
2028	1,315,000	259,915	1,574,915
2029	1,390,000	207,220	1,597,220
2030	1,145,000	151,525	1,296,525
2031	700,000	103,625	803,625
2032	500,000	71,875	571,875
2033	500,000	54,375	554,375
2034	500,000	36,875	536,875
2035	500,000	18,750	518,750
Totals	$ 16,395,000	$ 5,259,004	$ 21,654,004

Barker-Cypress Municipal Utility District

Changes in Long-term Bonded Debt

Year Ended March 31, 2018

	Bond		
	Series 2007	**Series 2009**	**Series 2010**
Interest rates	4.125%	4.25% to 5.75%	4.00% to 5.00%
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity dates	April 1, 2019/2020	April 1, 2019/2027	April 1, 2025/2031
Bonds outstanding, beginning of current year	$ 885,000	$ 900,000	$ 1,735,000
Retirements, principal	280,000	-	-
Bonds outstanding, end of current year	$ 605,000	$ 900,000	$ 1,735,000
Interest paid during current year	$ 36,506	$ 49,250	$ 79,000

Paying agent's name and address:

Series 2007 - Regions Bank, Houston, Texas
Series 2009 - Regions Bank, Houston, Texas
Series 2010 - Regions Bank, Houston, Texas
Series 2012 - U.S. Bank, N.A., Houston, Texas
Series 2014 - Regions Bank, Houston, Texas
Series 2015 - Regions Bank, Houston, Texas

Bond authority:	**Tax Bonds**	**Other Bonds**	**Refunding Bonds**
Amount authorized by voters	$ 59,885,000	0	$ 32,477,340
Amount issued/applied against authorization	$ 29,885,000	0	$ 2,862,340
Remaining to be issued	$ 30,000,000	0	$ 29,615,000

Debt service fund cash and temporary investment balances as of March 31, 2018:	$ 1,334,188
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,273,765

Issues

Refunding Series 2012	Series 2014	Refunding Series 2015	Totals
3.00% to 4.00%	3.30% to 3.75%	2.00% to 4.00%	
October 1/ April 1	October 1/ April 1	October 1/ April 1	
April 1, 2019/2024	April 1, 2025/2035	April 1, 2019/2030	
$ 2,425,000	$ 2,580,000	$ 8,690,000	$ 17,215,000
305,000	-	235,000	820,000
$ 2,120,000	$ 2,580,000	$ 8,455,000	$ 16,395,000
$ 87,450	$ 91,315	$ 309,650	$ 653,171

Barker-Cypress Municipal Utility District

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended March 31,

	Amounts				
	2018	2017	2016	2015	2014
General Fund					
Revenues					
Property taxes	$ 1,170,810	$ 915,975	$ 844,155	$ 669,480	$ 591,597
Rebate revenue	9,690	11,250	7,700	8,071	7,411
Water service	523,817	537,248	538,773	501,824	489,106
Sewer service	913,264	902,597	800,415	797,035	784,953
Regional water fee	724,586	691,658	649,743	603,079	616,790
Penalty and interest	65,176	72,714	75,757	67,331	55,626
Tap connection and inspection fees	35,845	-	244,727	3,455	18,760
Investment income	29,780	17,003	12,279	8,436	8,326
Other income	-	-	5,150	50,433	106,130
Total revenues	3,472,968	3,148,445	3,178,699	2,709,144	2,678,699
Expenditures					
Service operations:					
Purchased services	957,200	1,140,504	940,551	953,839	933,817
Regional water fee	34,649	7,576	30,828	6,203	4,207
Professional fees	283,879	222,987	236,129	270,287	247,051
Contracted services	486,758	481,177	461,828	443,808	449,475
Utilities	33,404	37,623	41,449	37,728	37,930
Repairs and maintenance	493,318	541,612	457,216	341,648	364,260
Other expenditures	94,482	95,078	92,619	100,941	84,653
Tap connections	35,610	-	112,045	3,200	8,820
Capital outlay	168,382	110,144	510,975	176,327	54,690
Total expenditures	2,587,682	2,636,701	2,883,640	2,333,981	2,184,903
Excess of Revenues Over Expenditures	885,286	511,744	295,059	375,163	493,796
Other Financing Sources					
Interfund transfers in	-	-	-	7,179	-
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	885,286	511,744	295,059	382,342	493,796
Fund Balance, Beginning of Year	3,791,662	3,279,918	2,984,859	2,602,517	2,108,721
Fund Balance, End of Year	$ 4,676,948	$ 3,791,662	$ 3,279,918	$ 2,984,859	$ 2,602,517
Total Active Retail Water Connections	2,139	2,135	2,136	2,143	2,131
Total Active Retail Wastewater Connections	2,108	2,101	2,102	2,130	2,098

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
33.7 %	29.1 %	26.6 %	24.7 %	22.1 %
0.3	0.4	0.2	0.3	0.3
15.1	17.1	16.9	18.5	18.3
26.3	28.7	25.2	29.4	29.3
20.8	21.9	20.4	22.3	23.0
1.9	2.3	2.4	2.5	2.1
1.0	-	7.7	0.1	0.7
0.9	0.5	0.4	0.3	0.3
-	-	0.2	1.9	3.9
100.0	100.0	100.0	100.0	100.0
27.6	36.2	29.6	35.2	35.0
1.0	0.2	1.0	0.2	0.2
8.2	7.1	7.4	10.0	9.2
14.0	15.3	14.5	16.4	16.8
1.0	1.2	1.3	1.4	1.4
14.2	17.2	14.4	12.6	13.6
2.7	3.1	2.9	3.7	3.2
1.0	-	3.5	0.1	0.3
4.8	3.5	16.1	6.5	1.9
74.5	83.8	90.7	86.1	81.6
25.5 %	16.2 %	9.3 %	13.9 %	18.4 %

Barker-Cypress Municipal Utility District

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended March 31,

	Amounts				
	2018	2017	2016	2015	2014
Debt Service Fund					
Revenues					
Property taxes	$ 1,572,887	$ 1,740,937	$ 1,755,277	$ 1,745,162	$ 1,660,078
Penalty and interest	80,054	23,205	20,983	35,498	30,880
Investment income	10,708	7,506	4,299	4,002	5,212
Other income	14	11	7	2	24
Total revenues	1,663,663	1,771,659	1,780,566	1,784,664	1,696,194
Expenditures					
Current:					
Professional fees	8,109	4,631	6,156	13,095	12,431
Contracted services	53,163	58,515	57,925	57,841	51,149
Other expenditures	10,133	9,887	8,596	8,672	7,430
Debt service:					
Principal retirement	820,000	1,115,000	955,000	1,020,000	985,000
Interest and fees	657,449	698,690	852,857	812,559	798,816
Debt issuance costs	-	-	302,159	-	-
Total expenditures	1,548,854	1,886,723	2,182,693	1,912,167	1,854,826
Excess (Deficiency) of Revenues Over Expenditures	114,809	(115,064)	(402,127)	(127,503)	(158,632)
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	8,775,000	-	-
Payments to escrow agent	-	-	(8,965,594)	-	-
Premium on debt issued	-	-	504,602	-	-
Total other financing sources	0	0	314,008	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	114,809	(115,064)	(88,119)	(127,503)	(158,632)
Fund Balance, Beginning of Year	1,175,812	1,290,876	1,378,995	1,506,498	1,665,130
Fund Balance, End of Year	$ 1,290,621	$ 1,175,812	$ 1,290,876	$ 1,378,995	$ 1,506,498

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
94.6 %	98.3 %	98.6 %	97.8 %	97.9 %
4.8	1.3	1.2	2.0	1.8
0.6	0.4	0.2	0.2	0.3
0.0	0.0	0.0	0.0	0.0
100.0	100.0	100.0	100.0	100.0
0.5	0.3	0.4	0.7	0.7
3.2	3.3	3.2	3.2	3.0
0.6	0.6	0.5	0.5	0.5
49.3	62.9	53.6	57.2	58.1
39.5	39.4	47.9	45.5	47.1
-	-	17.0	-	-
93.1	106.5	122.6	107.1	109.4
6.9 %	(6.5) %	(22.6) %	(7.1) %	(9.4) %

Barker-Cypress Municipal Utility District

Board Members, Key Personnel and Consultants

Year Ended March 31, 2018

Complete District mailing address:	Barker-Cypress Municipal Utility District c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		September 7, 2017
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
M.T. Marks	Elected 05/14-05/18	$ 2,700	$ 117	President
Chance Vinklarek	Elected 05/14-05/18	4,650	2,296	Vice President
Susan Skiles	Elected 05/16-05/20	1,800	0	Secretary
Darryl Davis	Elected 05/16-05/20	3,000	387	Assistant Secretary
Bill Grzanka	Appointed 08/17-05/20	2,400	1,145	Assistant Secretary
Donnie Bullard	Elected 05/16-08/17	600	86	Resigned

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

Barker-Cypress Municipal Utility District
Board Members, Key Personnel and Consultants (Continued)
Year Ended March 31, 2018

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	03/14/86	$ 20,000	Auditor
Harris County Appraisal District	Legislative Action	15,013	Appraiser
Hilltop Securities Inc.	10/08/02	0	Financial Advisor
Inframark, LLC	02/17/81	669,317	Operator
Jones & Carter, Inc.	06/08/83	209,010	Engineer
Municipal Accounts & Consulting, L.P.	04/08/03	33,464	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/24/06	8,109	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	04/05/78	136,082	General Counsel
Wheeler & Associates, Inc.	04/05/78	46,533	Tax Assessor/ Collector

Investment Officers			
Mark M. Burton and Ghia Lewis	02/11/03	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY® MUNICIPAL

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

Form 500NY (5/90)