

OFFICIAL STATEMENT DATED JANUARY 14, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19 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" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE - Book-Entry-Only

Ratings: S&P Global Ratings (BAM Insured) . . . "AA" (stable outlook)
Moody's Investors Service (Underlying) . . . "A3"
See "BOND INSURANCE" and "RATINGS" herein

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19 (A Political Subdivision of the State of Texas located within Harris County, Texas) \$6,005,000 UNLIMITED TAX BONDS SERIES 2019

The \$6,005,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds") are obligations of Northwest Harris County Municipal Utility District No. 19 (the "District") and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, the City of Houston, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Dated: February 1, 2019

Due: October 1

Interest on the Bonds will accrue from February 1, 2019, and will be payable on April 1 and October 1 of each year commencing October 1, 2019 (eight-month interest payment), until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. 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 owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., 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 "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the "Paying Agent," "Registrar" or the "Paying Agent/Registrar").

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer").



MATURITY SCHEDULE CUSIP Prefix (a) 667907

\$4,055,000 Serial Bonds

Principal Amount	Maturity (Due October 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)	Principal Amount	Maturity (Due October 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
\$150,000	2021	2.50%	2.10%	RF8	\$215,000	2031(c)	3.000%	3.20%	RR2
155,000	2022	5.00	2.20	RG6	225,000	2032(c)	3.000	3.30	RS0
165,000	2023	5.00	2.30	RH4	235,000	2033(c)	3.250	3.40	RT8
170,000	2024	5.00	2.45	RJ0	240,000	2034(c)	3.250	3.50	RU5
175,000	2025(c)	2.50	2.55	RK7	250,000	2035(c)	3.375	3.55	RV3
180,000	2026(c)	2.50	2.70	RL5	260,000	2036(c)	3.500	3.60	RW1
185,000	2027(c)	3.00	2.80	RM3	270,000	2037(c)	3.500	3.65	RX9
195,000	2028(c)	3.00	2.90	RN1	280,000	2038(c)	3.500	3.70	RY7
205,000	2029(c)	3.00	3.00	RP6	290,000	2039(c)	3.625	3.73	RZ4
210,000	2030(c)	3.00	3.10	RQ4					

\$620,000 Term Bonds, Due October 1, 2041(c)(d), CUSIP Suffix SB6(a), Interest Rate 3.625% (Yield 3.79%)(b)

\$650,000 Term Bonds, Due October 1, 2043(c)(d), CUSIP Suffix SD2(a), Interest Rate 3.75% (Yield 3.845%)(b)

\$680,000 Term Bonds, Due October 1, 2045(c)(d), CUSIP Suffix SF7(a), Interest Rate 3.75% (Yield 3.871%)(b)

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor, nor the Underwriter take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed. Accrued interest will be added to the price.
- (c) The Bonds, including the Term Bonds, maturing on and after October 1, 2025, are subject to redemption prior to maturity at the option of the District, as a whole or in part, on October 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on October 1 in the years and in the amounts set forth herein under the caption "THE BONDS - Redemption Provisions."

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures.

The Bonds constitute the eleventh series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system (the "System"). THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of \$79,250,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$10,000,000 for refunding such bonds and \$10,000,000 for acquiring and constructing recreational facilities. Following the issuance of the Bonds, \$10,265,000 principal amount of unlimited tax bonds authorized by the District's voters for acquiring and constructing the System, \$3,475,000 for refunding such bonds and \$6,100,000 for acquiring and constructing recreational facilities will remain authorized but unused. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source of Payment."

The Bonds are offered, when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Young & Brooks, Bond Counsel. Delivery of the Bonds in book-entry form is expected on or about February 14, 2019, at The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 the District upon payment of the costs for duplication thereof.

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 condition of the District or other matters described herein since the date hereof; however, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified under "SOURCES OF INFORMATION - Updating of Official Statement."

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc., (referred to herein as the “Underwriter”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.733118% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.658482% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity 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 underwriter or wholesaler. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$524 million, \$104.1 million and \$419.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the 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 "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

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

Neither the District nor the Underwriter 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 "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATINGS

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”), a business unit of Standard & Poor’s Financial Services LLC, based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s Investors Service, Inc. (“Moody’s”) is “A3.”

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody’s. The foregoing ratings express only the view of S&P and Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody’s, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s.

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more detailed information.

THE BONDS

The Issuer Northwest Harris County Municipal Utility District No. 19, located within Harris County, Texas (the “District”), a political subdivision of the State of Texas.

Description \$6,005,000 Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2019 (the “Bonds”) are dated February 1, 2019. \$4,055,000 of the Bonds are issued as serial bonds maturing on October 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. An aggregate of \$1,950,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”) maturing on October 1 in each of the years 2041, 2043 and 2045. Interest on the Bonds accrues from February 1, 2019, at the rates for each maturity set forth on the cover page of this Official Statement, and is payable on October 1, 2019 (eight-month interest payment), and on each April 1 and October 1 thereafter until maturity or redemption. The Bonds, including the Term Bonds, maturing on and after October 1, 2025, are subject to optional redemption prior to their stated maturity, in whole or, from time to time, in part, on October 1, 2024, or on any date thereafter. Upon redemption, the Bonds will be payable at a price equal to the principal amount thereof called for redemption, plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are optionally redeemed, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District, and if fewer than all of the Bonds within a maturity are optionally redeemed, the particular Bonds within a maturity to be redeemed shall be selected by DTC in accordance with its procedures. The Bonds are issued pursuant to a bond order (the “Bond Order”) adopted by the Board of Directors of the District. The Bonds are issued in fully registered form only, transferrable only upon presentation to the Registrar. The Bonds are issued in the denomination of \$5,000 each, or integral multiples thereof. See “THE BONDS - General” and - “Redemption Provisions.”

Book-Entry-Only System The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), 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 thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., 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 “THE BONDS - Book-Entry-Only System”).

Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of Payment.” The Bonds are obligations of the District and are not obligations of Harris County, Texas, the State of Texas, the City of Houston, Texas, or any political subdivision other than the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX DATA - Tax Rate Calculations.”
Other Characteristics	The Bonds will be issued in fully registered form in the denomination of \$5,000 each, or integral multiples thereof.
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of (a) wastewater rehabilitation to serve Coventry Estates; (b) Wastewater Treatment Plant No. 2 expansion; (c) Wastewater Treatment Plant No. 1 abandonment and diversion; and (d) construction of a 0.95 million gallon-per-day water reclamation system; (ii) pay engineering fees associated with the foregoing projects; and (iii) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, to the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”
Payment Record	The Bonds constitute the eleventh series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District. The District previously issued its Unlimited Tax Bonds, Series 1982 (the “Series 1982 Bonds”). The District defaulted on the payment of principal of and interest on the Series 1982 Bonds, filed bankruptcy and adjusted its debt. Home construction and development were recommenced in 1994. See “DEVELOPMENT AND HOME CONSTRUCTION.” Pursuant to such bankruptcy, the Series 1982 Bonds were amended by the District (the “Amended Bonds”). The District issued Unlimited Tax Refunding Bonds, Series 2001 (the “Series 2001 Refunding Bonds”) to currently refund all of the Amended Bonds eligible for payment. No claim payable from taxes levied by the District remained outstanding under the bankruptcy Plan (defined below) subsequent to the issuance of the Series 2001 Refunding Bonds. See “DISTRICT BANKRUPTCY.” The District has issued Unlimited Tax Bonds, Series 2003 (the “Series 2003 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”), Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2012 (the “Series 2012 Bonds”), Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”), Unlimited Tax Bonds, Series 2014A (the “Series 2014A Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”) and Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”) to acquire or construct components of the System. In addition, the District has issued its Unlimited Tax Park Bonds, Series 2018A (the “Series 2018A Bonds”) to acquire and construct

recreational facilities. The District has also issued Unlimited Tax Refunding Bonds, Series 2011 (the “Series 2011 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2013 (the “Series 2013 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of the District’s previously issued bonded indebtedness as the “Prior Bonds.” After issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been previously retired by the District will be \$61,290,000 (the “Outstanding Bonds”), and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$67,295,000. See “THE BONDS - Authorization of the Bonds” and - “Legal Ability to Issue Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Municipal Bond Insurance

Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE.”

Municipal Bond Ratings

S&P Global Ratings (BAM insured) “AA” (stable outlook). Moody’s Investors Service (underlying) “A3.” See “BOND INSURANCE” and “RATINGS.”

Authorized But Unissued Bonds

Voters of the District have authorized a total of \$79,250,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$10,000,000 principal amount of bonds for refunding such bonds, and \$10,000,000 principal amount of bonds for the purposes of acquiring and constructing recreational facilities to serve the District, or to refund Bonds issued for such purposes. Following the issuance of the Bonds, \$10,265,000 principal amount of unlimited tax bonds authorized by the District’s voters for acquiring and constructing the System, or to refund bonds issued for such purposes, \$3,475,000 principal amount of unlimited tax refunding bonds for refunding such bonds and \$6,100,000 unlimited tax bonds authorized by the District’s voters for recreational facilities, or to refund bonds issued for such purposes, will remain unissued. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance its cost of additional components of the System, and recreational facilities, with the proceeds of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Authorization of the Bonds,” and - “Legal Ability to Issue Additional Debt,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

District Bankruptcy

On March 10, 1987, the District filed a voluntary petition in the United States Bankruptcy Court for the Southern District of Texas, Case No. 87-02498-H2-9, for relief under Chapter 9 of the United States Bankruptcy Code. On July 23, 1990, the District filed its First Amended Plan of Reorganization (the “Plan”) with the Bankruptcy Court which Plan provided, among other things, that the District’s remaining outstanding Series 1982 Unlimited Tax Bonds (the “Series 1982 Bonds”) would be amended and modified as set forth in the Plan. On December 11, 1990, the Bankruptcy Court signed an Order confirming the Plan.

The Series 1982 Bonds were originally issued in bearer form, and the Plan required that all bondholders of the Series 1982 Bonds register their bonds within 120 days after confirmation of the Plan. As amended and modified by the Plan, the District's remaining outstanding Series 1982 Bonds which were registered as required by the Plan are referred to herein as the "Amended Bonds." The Amended Bonds were redeemed and defeased with proceeds of the Series 2001 Refunding Bonds. No claim payable from taxes levied by the District remained outstanding under the Plan subsequent to the issuance of the Series 2001 Refunding 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.

Paying Agent/Registrar The Paying Agent/Registrar of the Bonds is The Bank of New York Mellon Trust Company, N.A., with its principal corporate trust office and its principal payment office currently in Dallas, Texas.

Bond Counsel Young & Brooks, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

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

THE DISTRICT

Description The District was created by the Texas Water Commission (the "TWC"), predecessor to the TCEQ on October 3, 1979. The District contains 1,101.44 acres of land. The District is located entirely within Harris County, Texas, and is located approximately 24 miles north-northwest of the central business district of the City of Houston. The District is located north of FM 2920, west of Gosling Road, east of Kuykendahl Road and west of Interstate Highway 45. The District is bordered on the west by Harris County Municipal Utility District No. 1, on the east by Oakmont Public Utility District, and on the southeast by Northampton Municipal Utility District. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston. See "THE DISTRICT - Description" and "APPENDIX A - LOCATION MAP."

Authority The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code.

Development and Home Construction At December 1, 2018, the District contained 1,364 single-family homes (including 30 homes under construction). In addition, as is described below, the 18-hole Augusta Pines Golf Course, the approximately 100,000 square foot Augusta Pines Country Club, clubhouse, restaurant and office complex, a Jack-in-the-Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a

Taco Bell fast food restaurant, a Chick-fil-A fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, the Avanti Senior Care Center and a Wal-Mart have been constructed within the District. In addition, the 332-unit Everlee Apartments have been constructed on approximately 15.06 acres located within the District. The District contains 1,101.44 acres of land, of which approximately 704.59 acres have been developed as the residential subdivisions of Coventry, Sections 1 through 3, Augusta Pines, Sections 2 through 12, Shadow Creek at Augusta Pines, Shadow Creek Estates at Lago Woods, Shadow Creek Estates, Section 1, Legends of Augusta Pines, Augusta Creek, Sections 1 through 3, Shadow Creek South, Sections 1 through 3 and Retreat at Augusta Pines containing an aggregate of 1,513 fully developed single-family residential lots.

In December 1999, approximately 440 undeveloped acres located within the District were purchased from the District by Augusta Pines, Ltd. and Tour 18, Inc., which are affiliated parties. 628 additional acres now located partially within and partially outside the boundaries of the District were also purchased by such parties which undertook the development of all of such approximately 1,068 acres as Augusta Pines. Augusta Pines is a master-planned golf course residential community which contains the 18-hole semi-private Augusta Pines Golf Course and Country Club, which includes an approximately 100,000 square foot club house, restaurant and office complex. Augusta Pines, Ltd. has completed the development of the Augusta Pines Golf Course and Country Club, consisting of approximately 219.58 acres that contain the aforementioned 18-hole Augusta Pines Golf Course, the approximately 100,000 square foot Augusta Pines Country Club, clubhouse, restaurant and office complex within the District; and Augusta Pines, Sections 2 through 10, consisting of 316 total single-family residential lots (approximately 205.06 total acres) within the District.

In August 2004, Augusta Pines, Ltd. sold approximately 352 acres of land located partially within and partially outside the District to Shadow Creek Estates, Ltd. ("SCE"). SCE has completed the development of Augusta Pines, Section 11 (103 single-family residential lots, approximately 41.55 acres), Shadow Creek at Augusta Pines (103 single-family residential lots, approximately 46.36 acres), Shadow Creek Estates at Lago Woods (45 single-family residential lots, approximately 36.61 acres), Shadow Creek Estates, Section 1 (118 single-family residential lots, approximately 41.82 acres), Shadow Creek South, Section 1 (65 single-family residential lots, approximately 33.20 acres), Shadow Creek South, Section 2 (44 single-family residential lots, approximately 23.55 acres), Shadow Creek South, Section 3 (52 single-family residential lots, approximately 53.09 acres), and Retreat at Augusta Pines (112 single-family lots, approximately 37.71 acres) on portions of such land. SCE currently owns approximately 9 acres of currently undeveloped land located within the District that are available for future development. Since SCE has no obligation to the District to

undertake the development of any of the currently undeveloped land that it owns that is located within the District, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. See “FUTURE DEVELOPMENT.”

In December 2006, Augusta Pines, Ltd. sold approximately 11.28 acres of land located within the District to Dreamtech Homes, Ltd. (“Dreamtech Homes”). Dreamtech Homes has completed the development of Augusta Pines, Section 12 (50 single-family residential lots) on such approximately 11.28 acres.

Augusta Creek Development, Ltd. completed the development of Augusta Creek, Sections 1 through 3 (a total of 172 single-family residential lots, a total of approximately 60.41 acres). The owner of the Augusta Creek, Section 1 lots that have not been conveyed to homebuilding companies is now Shadow Creek Estates No. II, LLC.

Homes are currently being constructed in the District as is described below under the caption “Builders.”

Approximately 77 acres located within the District have been developed with the provision of underground water, sewer and drainage facilities, and are expected to be utilized for commercial purposes. A Jack-in-the Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a Chick-fil-A fast food restaurant, a Taco Bell fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, the Avanti Senior Care Center and a Wal-Mart have been completed on a portion of such approximately 77 acres.

Klein Independent School District owns approximately 43.88 acres located within the District on which it has constructed the Metzler Elementary School, and is constructing Intermediate School No. 10 which are exempt from ad valorem taxes.

The balance of the land that is located within the District is contained within the District’s water plant site, drainage ditch or street rights-of-way, or is otherwise not available for development.

Principal Land Owners

The principal land owner within the District as reflected on the District’s 2018 tax roll is Tuscan Ridge Arizona, Inc., which owns property located in the District which comprised approximately 5.27% of the District’s total 2018 Assessed Valuation. The second largest land owner within the District as reflected on the District’s 2018 tax roll is Wal-Mart, which owns property located in the District which comprised approximately 3.71% of the District’s total 2018 Assessed Valuation. The third largest land owner within the District as reflected on the District’s 2018 tax roll is Kroger Texas, L.P., whose property located in the District comprised approximately 3.20% of the District’s total 2018 Assessed Valuation. No other party owns property located in the District the 2018 Assessed Valuation of which exceeded 1.66% of the District’s 2018 Assessed Valuation.

Augusta Pines, Ltd. is a Texas limited partnership whose managing general partner is Tour 18, Inc., a Texas corporation whose President is Dennis J. Wilkerson, and whose limited partners are members of the Wilkerson family of Spring, Texas. Augusta Pines, Ltd. developed the Augusta Pines Golf Course and Country Club and August Pines, Sections 2 through 10. Augusta Pines, Ltd. currently owns only two fully developed single-family residential lots located within the District. Tour 18, Inc. does not own any land located within the District. Augusta Pines, Ltd. is an affiliate of Tour 18 Capital Partners, Ltd., the owner of the Augusta Pines Golf Course and Country Club that is described in "DEVELOPMENT AND HOME CONSTRUCTION" above.

In August 2004, Augusta Pines, Ltd. sold approximately 352 acres of land located within and outside the District to Shadow Creek Estates, Ltd. ("SCE"). SCE has completed the development of Augusta Pines, Section 11 (103 single-family residential lots, approximately 41.55 acres), Shadow Creek at Augusta Pines (103 single-family residential lots, approximately 46.36 acres), Shadow Creek Estates at Lago Woods (45 single-family residential lots, approximately 36.61 acres), Shadow Creek Estates, Section 1 (118 single-family residential lots, approximately 41.82 acres), Shadow Creek South, Section 1 (65 single-family residential lots, approximately 33.20 acres), Shadow Creek South, Section 2 (44 single-family residential lots, approximately 23.55 acres), Shadow Creek South, Section 3 (52 single-family residential lots, approximately 53.09 acres), and Retreat at Augusta Pines (112 single-family residential lots, approximately 37.71 acres) on portions of such land. In addition, as is described above, SCE currently owns approximately 9 acres of currently undeveloped land located within the District that are available for future development. Since SCE has no obligation to the District to undertake the development of any of the currently undeveloped land that it owns that is located within the District, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. See "FUTURE DEVELOPMENT."

In December 2006, Augusta Pines, Ltd. sold approximately 11.28 acres of land located within the District to Dreamtech Homes, Ltd. ("Dreamtech Homes"). Dreamtech Homes has completed the development of Augusta Pines, Section 12 (50 single-family residential lots) on such approximately 11.28 acres.

Augusta Creek Development, Ltd. ("ACD") completed the development of Augusta Creek, Sections 1 through 3, consisting of 172 total single-family residential lots (approximately 60.41 total acres). ACD owns no additional land located within the District. The owner of the Augusta Creek, Section 1 lots that have not been conveyed to homebuilding companies is now Shadow Creek Estates No. II, LLC.

Spanos Corporation has completed the development of approximately 15.06 acres of land located within the District on which the 332-unit Everlee Apartments have been constructed.

Builders

Brickland Homes, Flair Builders, Cannon Custom Homes and Matt Powers Homes are currently constructing homes in Shadow Creek at Augusta Pines that range in size from approximately 2,800 to 10,000 square feet of living area and in sales price from approximately \$500,000 to \$4,000,000.

Cannon Custom Homes, Matt Powers Homes, Tommy Bailey Homes, Flair Builders and Jeff Paul Homes and TD Cox Homes are currently constructing homes in Shadow Creek Estates at Lago Woods that range in size from approximately 5,000 to 10,000 square feet of living area and in sales price from approximately \$1,100,000 to \$4,000,000.

Frontier Homes is currently constructing homes in Augusta Creek, Section 3 that range in size from approximately 2,500 to 4,000 square feet of living area and in sales price from approximately \$300,000 to \$650,000.

Highland Homes and J. Patrick Homes are currently constructing homes in Shadow Creek South, Sections 1 and 3 that range in size from approximately 2,800 to 5,000 square feet of living area and in sales price from approximately \$525,000 to \$950,000. Frankel Homes is currently constructing homes in Shadow Creek South, Section 2 that range in size from 3,000 to 8,000 square feet of living area and in sales price from approximately \$1,000,000 to \$2,500,000.

Lennar Homes, JD Allen Homes and Drees Custom Homes are constructing homes in Retreat at Augusta Pines that range in size from approximately 4,500 to 6,000 square feet of living area and in sales price from approximately \$450,000 to \$1,500,000.

Collective reference is sometimes made in this Official Statement to all of the aforementioned home building companies as the "Builders."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2018 Assessed Valuation	\$639,908,360(a)
(As of January 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds	\$ 61,290,000
The Bonds	<u>6,005,000</u>
Total	\$ 67,295,000(b)
Estimated Overlapping Debt	<u>\$ 38,297,705(b)</u>
Direct and Estimated Overlapping Debt	<u>\$105,592,705(b)</u>
Direct Debt Ratio:	
: as a percentage of 2018 Assessed Valuation	10.52%
See "DISTRICT DEBT."	
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2018 Assessed Valuation	16.50%
See "DISTRICT DEBT."	
Debt Service Fund Balance as of December 10, 2018	\$ 3,648,837(c)
General Fund Balance at December 10, 2018	\$ 4,935,804
2018 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$0.63
Maintenance Tax	<u>0.15</u>
Total Tax	\$0.78(d)
Average Percentage of Total Tax Collections (2008-2017)	
(As of November 30, 2018)	99.86%
Average Annual Debt Service Requirements of the Bonds and the	
Outstanding Bonds (2019-2045)	\$ 4,010,248
Maximum Annual Debt Service Requirement of the Bonds and the	
Outstanding Bonds (2045)	\$ 4,087,769
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average	
Annual Debt Service Requirements of the Bonds and the	
Outstanding Bonds (2019-2045) at 95% Tax Collections	
Based on 2018 Assessed Valuation (\$639,908,360)	\$0.66
Debt Service Tax rate per \$100 of Assessed Valuation Required to Pay Maximum	
Annual Debt Service Requirement of the Bonds and the	
Outstanding Bonds (2045) at 95% Tax Collections	
Based on 2018 Assessed Valuation (\$639,908,360)	\$0.68

Number of Single-Family Homes (including 30 homes under construction)

1,364

Other Improvements Located in the District

Completed

- 18 Hole Augusta Pines Golf Course and Approximately 100,000 Square Foot
Augusta Pines Country Club, Restaurant and Office Complex
- Jack-in-the-Box fast food restaurant
- Child care facility
- Whataburger fast food restaurant
- Taco Bell fast food restaurant
- Chick-fil-A fast food restaurant
- CVS Pharmacy
- 3 retail strip shopping centers
- Regions Bank
- Bank of America bank
- Timewise convenience store/gas station
- Kroger grocery store and retail center
- Wal-Mart Store
- 332-unit Everlee Apartments
- Avanti Senior Care Center

- (a) All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$429,983, which total is included in the amount of \$639,908,360. The Appraisal District has proposed the valuation of such protested properties to be \$498,196. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,927,520, which total is also included in the amount of \$639,908,360. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance its cost of additional components of the System, and recreational facilities, with the proceeds of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Authorization of the Bonds," and - "Legal Ability to Issue Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (c) Neither Texas law nor the Bond Order require that the District maintain any particular sum in the Debt Service Fund at any time. Such fund balance gives effect to the timely payment by the District of the entirety of its debt service requirements of the Prior Bonds that were due in 2018. The District's initial debt service payment on the Bonds, consisting of an eight-month interest payment thereon, is due October 1, 2019.
- (e) The District levied a total tax of \$0.78 per \$100 of Assessed Valuation for 2018, \$0.63 per \$100 of Assessed Valuation of which is a debt service tax. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District and the District's 2018 tax rate is \$3.08509 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

\$6,005,000 UNLIMITED TAX BONDS SERIES 2019

INTRODUCTION

This Official Statement of Northwest Harris County Municipal Utility District No. 19 (the “District”) is provided to furnish information with respect to the sale by the District of its \$6,005,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, pursuant to an order adopted by the Board of Directors (the “Board”) of the District.

There follow in this Official Statement descriptions of the Bonds, the intended use of the proceeds of the sale of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs for duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (hereinafter defined), except as otherwise indicated herein.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”). Copies of the Bond Order may be obtained from the District upon request and payment of the costs for duplication thereof. 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.

The Bonds are dated February 1, 2019. \$4,055,000 of the Bonds are issued as serial bonds maturing on October 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. An aggregate of \$1,950,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”) maturing on October 1 in each of the years 2041, 2043 and 2045. The Bonds will accrue interest from February 1, 2019, at the stated interest rates indicated on the cover page hereof, and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Bonds is payable on October 1, 2019 (eight-month interest payment), and on each April 1 and October 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., or any successor paying agent/registrars (the “Paying Agent,” “Paying Agent/Registrar,” or “Registrar”) currently in Dallas, Texas. See “Book-Entry-Only System” and “Paying Agent/Registrar” below.

Book-Entry-Only System

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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.

Registration, Transfer and Exchange

In the event the book-entry-only system is discontinued, the Bonds are transferable only on the bond register kept by the Registrar upon surrender at the corporate trust office of the Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the corporate trust office of the Registrar, in Dallas, Texas, for Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three (3) business days after the receipt by the Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Paying Agent/Registrar

The Board has selected The Bank of New York Mellon Trust Company, N.A. as the initial Paying Agent and Registrar for the Bonds. The initial designated payment office for the Bonds is located in Dallas, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Payment Record

The Bonds constitute the eleventh series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. The District previously issued its Unlimited Tax Bonds, Series 1982 (the "Series 1982 Bonds"). The District defaulted on the payment of principal of and interest on the Series 1982 Bonds, filed bankruptcy and adjusted its debt. Home construction and development were recommenced in 1994. See "DEVELOPMENT AND HOME CONSTRUCTION." Pursuant to such bankruptcy, the Series 1982 Bonds were amended by the District (the "Amended Bonds"). The District issued Unlimited Tax Refunding Bonds, Series 2001 (the "Series 2001 Refunding Bonds") to currently refund all of the Amended Bonds eligible for payment. No claim payable from taxes levied by the District remained outstanding under the bankruptcy Plan (defined below) subsequent to the issuance of the Series 2001 Refunding Bonds. See "DISTRICT BANKRUPTCY." The District has issued Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), Unlimited Tax Bonds, Series 2014A (the "Series 2014A Bonds"), Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds") and Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds") to acquire or construct components of the System. In addition, the District has issued its Unlimited Tax Park Bonds, Series 2018A (the "Series 2018A Bonds") to acquire and construct recreational facilities. The District has also issued Unlimited Tax Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds") to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of the District's previously issued bonded indebtedness as the "Prior Bonds." After issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been previously retired by the District will be \$61,290,000 (the "Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$67,295,000. See "THE BONDS - Authorization of the Bonds" and - "Legal Ability to Issue Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Authorization of the Bonds

At elections held within the District on May 9, 1981, on November 5, 2002, and on May 10, 2014, the voters of the District authorized the issuance of a total of \$79,250,000 in unlimited tax bonds for waterworks, sanitary sewer and drainage facilities, or in the case of the bonds authorized at the elections on November 5, 2002 and May 10, 2014, to refund bonds issued for such purposes. At an election held within the District on November 4, 2008, the voters of the District authorized the issuance of \$10,000,000 in unlimited tax bonds for recreational facilities, or to refund bonds issued for such purposes. At an election held within the District on August 11, 2001, the voters of the District authorized the issuance of \$10,000,000 in unlimited tax refunding bonds. The Bonds are issued pursuant to the authority of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended. The issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (the "TCEQ"). See - "Legal Ability to Issue Additional Debt" below and "INVESTMENT CONSIDERATIONS - Future Debt."

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on the Outstanding Bonds and such additional tax bonds of the District as may hereafter be issued, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The District has the authority to levy an annual ad valorem tax without limit as to rate or amount on all taxable property within the District for each year the Bonds are outstanding. In the Bond Order, the District has covenanted to establish a rate of taxation each year ample and sufficient to provide funds to pay the interest on the Bonds and to pay the principal when due, full allowance being made for delinquencies and costs of collection.

The Bonds are solely obligations of Northwest Harris County Municipal Utility District No. 19 and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District.

Redemption Provisions

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on and after October 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on October 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 optionally redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of \$5,000 or any integral multiple thereof within any one maturity. If fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). In the event the book-entry-only system is discontinued, the Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the date fixed for redemption in the manner specified in the Bond Order.

Mandatory Redemption

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

\$620,000 Term Bonds Maturing on October 1, 2041	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
October 1, 2040	\$305,000
October 1, 2041 (maturity)	315,000

\$650,000 Term Bonds Maturing on October 1, 2043	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
October 1, 2042	\$320,000
October 1, 2043 (maturity)	330,000

providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Annexation and Consolidation

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

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

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston (the "City") to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with a number of districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District (i) will have the right to issue an additional \$10,265,000 bonds for waterworks, sanitary sewer, and drainage facilities, or to refund bonds issued for such purposes, as approved by District voters at an election held on May 10, 2014, (ii) will have the right to issue \$6,100,000 in bonds for recreational facilities, or to refund bonds issued for such purposes, as approved by the voters at an election held November 4, 2008, and (iii) will have the right to issue \$3,475,000 in bonds for refunding purposes, as approved by the District's voters at an election held on August 11, 2001.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, or recreational facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or

combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District.

The District's engineer, R.G. Miller Engineers, Inc. (the "Engineer") currently estimates that the aforementioned \$10,265,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater and drainage facilities that will be necessary to provide service to all of the currently undeveloped portions of the District. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance its cost of additional components of the System, and recreational facilities, with the proceeds of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Authorization of the Bonds," and "INVESTMENT CONSIDERATIONS - Future Debt."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) approval of the master plan and bonds by the TCEQ; and (3) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

The District is authorized by statute to develop and maintain parks and recreational facilities (excluding swimming pools and golf courses), including the issuing of bonds payable from taxes for such purpose. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District issued its Unlimited Tax Park Bonds, Series 2018A to finance the construction and acquisition of recreational facilities. See - "Authorization of the Bonds" and "INVESTMENT CONSIDERATIONS - Future Debt."

Registered Owners' Remedies

The Bond Order contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Registered Owners. Although the Registered Owners could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§901-946, if the District (1) is generally authorized to file for federal bankruptcy protection by State law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. A municipal utility district, such as the District, must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, and (5) the plan is in the best interests of creditors and is feasible. The rights and remedies of the Registered Owners would be adjusted in accordance with the confirmed plan of adjustment of the District's debt. See "INVESTMENT CONSIDERATIONS."

THE DISTRICT DEFAULTED ON ITS UNLIMITED TAX BONDS, SERIES 1982, FILED BANKRUPTCY AND ADJUSTED ITS DEBT. PURSUANT TO SUCH BANKRUPTCY, THE SERIES 1982 BONDS WERE AMENDED BY THE DISTRICT (THE "AMENDED BONDS"). THE DISTRICT ISSUED UNLIMITED TAX REFUNDING BONDS, SERIES 2001 TO CURRENTLY REFUND ALL OF THE AMENDED BONDS ELIGIBLE FOR PAYMENT. SEE "DISTRICT BANKRUPTCY" BELOW.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of (a) wastewater rehabilitation to serve Coventry Estates; (b) Wastewater Treatment Plant No. 2 expansion; (c) Wastewater Treatment Plant No. 1 abandonment and diversion; and (d) construction of a 0.95 million gallon-per -day water reclamation system; (ii) pay engineering fees associated with the foregoing projects; and (iii) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

I. Construction Costs	<u>District Share</u>
A. Developer Contribution Items - None	
B. District Items	
1. Coventry Estates Wastewater Rehabilitation	\$ 555,610
2. Wastewater Treatment Plant No. 2 Expansion Phase 2	2,444,000
3. Wastewater Treatment Plant No. 1 Abandonment and Diversion Facilities	1,013,300
4. 0.95 MGD Water Reclamation System	1,351,000
5. Engineering	<u>969,515</u>
Total District Items	\$6,333,425
Less Surplus Funds Applied	<u>(893,233)</u>
TOTAL CONSTRUCTION COSTS	\$5,440,192
II. <u>Non-construction Costs</u>	
A. Legal Fees	\$ 155,125
B. Fiscal Agent Fees	120,100
C. Interest Expenses	0
D. Bond Discount	136,127
E. Bond Issuance Expenses	42,890
F. Bond Application Report Costs	45,525
G. Attorney General Fee	6,005
H. TCEQ Bond Issuance Fee	15,013
I. Contingency *	<u>44,023</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 564,808</u>

TOTAL BOND ISSUE REQUIREMENT

\$6,005,000

- * In its order approving the issuance of the Bonds, the TCEQ directed that any surplus funds resulting from the sale of the Bonds at a lower interest rate than estimated shall be shown as a contingency line item in the Official Statement and be subject to TCEQ rules on the use of surplus funds.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

DISTRICT BANKRUPTCY

On March 10, 1987, the District filed a voluntary petition in the United States Bankruptcy Court for the Southern District of Texas, Case No. 87-02498-H2-9, for relief under Chapter 9 of the United States Bankruptcy Code. On July 23, 1990, the District filed its First Amended Plan of Reorganization (the "Plan") with the Bankruptcy Court which Plan provided, among other things, that the District's remaining outstanding Series 1982 Unlimited Tax Bonds (the "Series 1982 Bonds") would be amended and modified as set forth in the Plan. On December 11, 1990, the Bankruptcy Court signed an Order confirming the Plan.

The Series 1982 Bonds were originally issued in bearer form, and the Plan required that all bondholders of the Series 1982 Bonds register their bonds within 120 days after confirmation of the Plan. As amended and modified by the Plan, the District's remaining outstanding Series 1982 Bonds which were registered as required by the Plan are referred to herein as the "Amended Bonds." The Amended Bonds were redeemed and defeased with proceeds of the Series 2001 Refunding Bonds. No claim payable from taxes levied by the District remained outstanding under the Plan subsequent to the issuance of the Series 2001 Refunding Bonds.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, (ii) the single-family residential lots that have been developed by the developers of the District, (iii) the apartments that have been constructed within the District, and (iv) the commercial buildings that have been constructed within the District. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type, the construction of residential

dwellings thereon and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. Further declines in the price of oil could adversely affect the demand for new homes and the values of existing homes. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Although, as is described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION” and “PRINCIPAL LAND OWNERS,” at December 1, 2018, (i) the District contained (a) a total of 1,513 fully developed single-family residential lots which contained 1,364 single-family homes (including 30 homes under construction), (b) the 18-hole Augusta Pines Golf Course and a 100,000 square foot Augusta Pines Country Club clubhouse, restaurant and office complex, a Jack-in-the-Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a Taco Bell fast food restaurant, a Chick-fil-A fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, a Wal-Mart store, the Avanti Senior Care Center and the 332-unit Everlee Apartments; and (ii) the Builders are currently constructing homes in the District as is described in this Official Statement under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction or construction of commercial improvements or apartments in District or the level of occupancy thereof.

National Economy: In recent years there has been a downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as is described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION” and “PRINCIPAL LAND OWNERS,” at December 1, 2018, (i) the District contained (a) a total of 1,513 fully developed single-family residential lots which contained 1,364 single-family homes (including 30 homes under construction), (b) the 18-hole Augusta Pines Golf Course and a 100,000 square foot Augusta Pines Country Club clubhouse, restaurant and office complex, a Jack-in-the-Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a Taco Bell fast food restaurant, a Chick-fil-A fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, a Wal-Mart store, the Avanti Senior Care Center and the 332-unit Everlee Apartments; and (ii) the Builders are currently constructing homes in the District as is described in this Official Statement under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction or construction of commercial improvements or apartments in District or the level of occupancy thereof. The District cannot predict what impact, if any, a downturn in the local housing market and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on single-family, apartment and commercial development activity and the construction of homes, apartments and commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which apartment and commercial developers are able to finance new apartments or commercial buildings. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale and of apartment and commercial developers to initiate the construction of new apartments or commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or the construction of new apartments or commercial buildings within the District. In addition, since the District is located approximately 24 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston

and continued decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of new apartments or commercial buildings in the District and restrain the growth of the District's property tax base.

District Bankruptcy: In the mid to late 1980's, the Houston metropolitan area, including the vicinity of the District, experienced increases in unemployment, business failures and unleased office space. Articles in the media reported an oversupply of homes for sale and numerous foreclosures in the Houston suburbs. These factors adversely affected the demand for new and used suburban residences. The general oversupply of homes, in turn, adversely impacted prices for homes and lots and, consequently, property values in the Houston metropolitan area declined. **THE DISTRICT DEFAULTED ON ITS SERIES 1982 BONDS, FILED BANKRUPTCY AND ADJUSTED ITS DEBT. HOME CONSTRUCTION AND DEVELOPMENT WERE RECOMMENCED IN 1994. SEE "DEVELOPMENT AND HOME CONSTRUCTION." PURSUANT TO SUCH BANKRUPTCY, THE SERIES 1982 ITS BONDS WERE AMENDED BY THE DISTRICT (THE "AMENDED BONDS"). THE DISTRICT ISSUED ITS UNLIMITED TAX REFUNDING BONDS, SERIES 2001 TO CURRENTLY REFUND ALL OF THE AMENDED BONDS ELIGIBLE FOR PAYMENT. NO CLAIM PAYABLE FROM TAXES LEVIED BY THE DISTRICT REMAINED OUTSTANDING UNDER THE PLAN SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2001 REFUNDING BONDS. SEE "DISTRICT BANKRUPTCY."**

Developer/Builder Obligation to the District: The principal land owner within the District as reflected on the District's 2018 tax roll is Tuscan Ridge Arizona, Inc., which owns property located in the District which comprised approximately 5.27% of the District's total 2018 Assessed Valuation. The second largest land owner within the District as reflected on the District's 2018 tax roll is Wal-Mart, which owns property located in the District which comprised approximately 3.71% of the District's total 2018 Assessed Valuation. The third largest land owner within the District as reflected on the District's 2018 tax roll is Kroger Texas, L.P., whose property located in the District comprised approximately 3.20% of the District's total 2018 Assessed Valuation. No other party owns property located in the District the 2018 Assessed Valuation of which exceeded 1.66% of the District's 2018 Assessed Valuation. The ability of any principal taxpayer within the District to make full and timely payment of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. The District contains certain large-scale retailers, such as Kroger and Wal-Mart. If they were to vacate their buildings, such buildings may be difficult to repurpose or re-lease, potentially adversely affecting values. SCE currently owns approximately 9 acres of currently undeveloped land located within the District that are planned for residential development. Since neither SCE nor any other landowner is under any obligation to the District to undertake the development of any of the currently undeveloped land that it owns that is located within the District, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. There is no commitment by or legal requirement of the Builders or any other home builder to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity or the construction of additional commercial improvements or apartments in the District. See "BUILDERS."

Maximum Impact on District Tax Rates: Assuming no further development, home construction or the construction of additional commercial improvements or apartments within the District, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Assessed Valuation of property within the District (see "TAX DATA") is \$639,908,360. After issuance of the Bonds, the maximum annual debt service requirement of the Bonds and the Outstanding Bonds will be \$4,087,769 (2045) and the average annual debt service requirements will be \$4,010,248 (2019 through 2045, inclusive). Assuming no increase to nor decrease from the 2018 Assessed Valuation, the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds and no use of District funds on hand, tax rates of \$0.68 and \$0.66 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service

requirements, respectively. See “TAX DATA - Tax Rate Calculations.” The District levied a debt service tax rate of \$0.63 per \$100 of Assessed Valuation for 2018, plus a maintenance tax of \$0.15 per \$100 of Assessed Valuation. As is illustrated above, a debt service tax of \$0.63 is not sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement of the Bonds and the Outstanding Bonds, assuming the taxable values in the District at the level of the 2018 Assessed Valuation, a tax collection rate of 95%, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated in this Official Statement under the caption “TAX DATA - Historical Values and Tax Collection History,” the District has collected an average of 99.86% of its 2008 through 2017 tax levies as of November 30, 2018. Moreover, the District's Debt Service Fund balance was \$3,648,837 as of December 10, 2018. Although neither Texas law nor the Bond Order require that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2018 - \$0.63 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. Increases in the District's tax rate to higher levels than the \$0.78 per \$100 of Assessed Valuation total rate which the District levied for 2018 may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District is \$3.08509 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

The Effect of the Financial Institution Act of 1989

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

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

There has been no definitive judicial determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that, although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes. See "TAX DATA - Principal 2018 Property Owners."

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has the right to issue the remaining \$10,265,000 authorized but unissued bonds for waterworks, sanitary sewer and drainage facilities, or to refund bonds issued for such purposes, the remaining \$3,475,000 bonds authorized to refund such bonds, and the remaining \$6,100,000 authorized but unissued bonds for recreational facilities, or to refund bonds issued for such purposes (see "THE BONDS - Legal Ability to Issue Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining \$10,265,000 in bonds for waterworks, sanitary sewer and drainage facilities or to refund such bonds, the remaining \$3,475,000 bonds authorized to refund such bonds, and the remaining \$6,100,000 bonds authorized for recreational facilities and to refund such bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$10,265,000 in bonds for waterworks, sanitary sewer and drainage facilities, and the remaining \$6,100,000 for recreational facilities, is also subject to TCEQ authorization. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District. The District's engineer, R.G. Miller Engineers, Inc. (the "Engineer") currently estimates that the aforementioned \$10,265,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater and drainage facilities that will be necessary to provide service to all of the currently undeveloped portions of the District. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance its cost of additional components of the System, and recreational facilities, with the proceeds of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Authorization of the Bonds," and- "Legal Ability to Issue Additional Debt." If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds.

Competitive Nature of Houston Residential Housing and Commercial Development and Construction Markets

The single-family and multi-family residential housing and commercial development industries in the Houston area are very competitive, and the District can give no assurance that any single-family residential lot development or homebuilding programs or any multi-family residential projects will be initiated in the District in addition to the single-family residential lot development and homebuilding programs and multi-family residential projects that have been undertaken in the District to date, or that any commercial development or construction of future above-ground commercial improvements will be undertaken in the District in addition to the commercial development projects and construction of above-ground commercial improvements that have been undertaken in the District to date as are described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The respective competitive positions of any developer(s) or home builder(s) which might attempt future single-family residential lot development or homebuilding programs in the District in the sale of developed single-family residential lots or in the construction and sale of single-family residential units and of any multi-family residential or commercial developer which might undertake future multi-family residential or commercial development projects or the construction of new apartments or above-ground commercial improvements are affected by most of the factors discussed in this section, and such single-family residential lot development, multi-family residential and/or commercial development projects and the construction of single-family residential units, multi-family residential projects and/or commercial above-ground improvements are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Environmental Regulations

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

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

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

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")-Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties-has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 ("the 1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ's "redesignation substitute" for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

Water Supply & Discharge Issues

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States."

Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. If the CWR is not rescinded and is ultimately upheld and goes into effect, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of the expanded scope of jurisdictional "waters of the United States" under the CWR.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Tropical Weather Events; Hurricane Harvey

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

Hurricane Harvey struck the Houston area on August 26, 2017, resulting in historic levels of rainfall. However, according to the District's Utility System Operator (the "Operator"), the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, according to the Operator and the District's Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District other than water intrusion in two homes located within the District. Hurricane Harvey could have a material impact on the Houston region's economy. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes within the District.

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.

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.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken January 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2019)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, plus the Bonds will be \$67,295,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the District.

2018 Assessed Valuation	\$639,908,360(a)
(As of January 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds	\$ 61,290,000
The Bonds	<u>6,005,000</u>
Total	\$ 67,295,000(b)
Estimated Overlapping Debt	<u>\$ 38,297,705(b)</u>
Direct and Estimated Overlapping Debt	<u>\$105,592,705(b)</u>
Direct Debt Ratio:	
: as a percentage of 2018 Assessed Valuation	10.52%
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2018 Assessed Valuation	16.50%
Debt Service Fund Balance as of December 10, 2018	\$ 3,648,837(c)
General Fund Balance at December 10, 2018	\$ 4,935,804
2018 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$0.63
Maintenance Tax	<u>0.15</u>
Total Tax	\$0.78(d)

(a) All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$429,983, which total is included in the amount of \$639,908,360. The Appraisal District has proposed the valuation of such protested properties to be \$498,196. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,927,520, which total is also included in the amount of \$639,908,360. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

- (b) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance its cost of additional components of the System, and recreational facilities, with the proceeds of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Authorization of the Bonds,” and - “Legal Ability to Issue Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”
- (c) Neither Texas law nor the Bond Order require that the District maintain any particular sum in the Debt Service Fund at any time. Such fund balance gives effect to the timely payment by the District of the entirety of its debt service requirements of the Prior Bonds that were due in 2018. The District’s initial debt service payment on the Bonds, consisting of an eight-month interest payment thereon, is due October 1, 2019.
- (e) The District levied a total tax of \$0.78 per \$100 of Assessed Valuation for 2018, \$0.63 per \$100 of Assessed Valuation of which is a debt service tax. As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District and the District’s 2018 tax rate is \$3.08509 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt As of November 1, 2018</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County (a)	\$2,050,758,022	0.14232%	\$2,918,669
Harris County Department of Education	6,555,000	0.14232	9,329
Harris County Flood Control District	83,075,000	0.14232	118,234
Harris County Hospital District	59,490,000	0.14232	84,667
Port of Houston Authority	593,754,397	0.14232	845,040
Klein Independent School District	1,081,920,000	2.98309	32,274,659
Lone Star College System	611,710,000	0.33465	<u>2,047,107</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$38,297,705
TOTAL DIRECT DEBT (b)			<u>67,295,000</u>
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			\$105,592,705

(a) Harris County Toll Road Bonds are considered self-supporting, and are not included in this schedule.
 (b) See “Bonded Indebtedness” above.

Debt Ratios

	<u>% of 2018 Assessed Valuation</u>
Direct Debt	10.52%
Direct and Estimated Overlapping Debt	16.50%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

The following table sets forth the debt service requirements of the Outstanding Bonds and the principal and interest requirements of the Bonds.

<u>Year</u>	<u>Outstanding Bonds</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal (Due 10-1)</u>	<u>Interest</u>	
2019	\$ 3,615,625		\$ 139,508	\$ 3,755,133
2020	3,617,250		209,263	3,826,513
2021	3,622,675	\$ 150,000	209,263	3,981,938
2022	3,624,300	155,000	205,513	3,984,813
2023	3,622,325	165,000	197,763	3,985,088
2024	3,623,550	170,000	189,513	3,983,063
2025	3,627,488	175,000	181,013	3,983,501
2026	3,633,863	180,000	176,638	3,990,501
2027	3,638,163	185,000	172,138	3,995,301
2028	3,639,088	195,000	166,588	4,000,676
2029	3,642,613	205,000	160,738	4,008,351
2030	3,647,100	210,000	154,588	4,011,688
2031	3,651,256	215,000	148,288	4,014,544
2032	3,652,106	225,000	141,838	4,018,944
2033	3,660,606	235,000	135,088	4,030,694
2034	3,664,450	240,000	127,450	4,031,900
2035	3,665,725	250,000	119,650	4,035,375
2036	3,671,694	260,000	111,213	4,042,906
2037	3,674,894	270,000	102,113	4,047,007
2038	3,679,744	280,000	92,663	4,052,407
2039	3,679,332	290,000	82,863	4,052,194
2040	3,683,681	305,000*	72,350	4,061,031
2041	3,692,406	315,000*	61,294	4,068,700
2042	3,700,494	320,000*	49,875	4,070,369
2043	3,708,613	330,000*	37,875	4,076,488
2044	3,719,313	335,000*	25,500	4,079,813
2045	<u>3,729,831</u>	<u>345,000*</u>	<u>12,938</u>	<u>4,087,769</u>
	\$98,788,185	\$6,005,000	\$3,483,524	\$108,276,707

Average Annual Requirements (2019-2045):	\$4,010,248
Maximum Annual Requirement (2045):	\$4,087,769

See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Maximum Impact on District Tax Rates” and “TAX DATA - Tax Rate Calculations” for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

* Represents mandatory sinking fund payments on Term Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.25 per \$100 of assessed valuation. See "TAX DATA - Maintenance Tax."

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris County Appraisal District ("HCAD" or the "Appraisal District") described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real 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; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the 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 in the amount of \$100,000 of assessed valuation for persons 65 years of age and older and individuals who are under disability for purpose 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, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The District's 2018 tax roll reflects exemptions totaling \$21,600,000 of the market value of property owned by persons 65 years of age and older and individuals who are under disability for purpose of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act and disabled veterans. See "TAX DATA - Analysis of Tax Base."

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption is in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board granted such an exemption in an amount equal to 12% of the market value of residential homesteads from ad valorem taxation for 2018 (aggregating approximately \$54,003,702). See "TAX DATA - Analysis of Tax Base."

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

Harris County may designate all or part of the area within the District as a reinvestment zone, and Harris County may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, and by the District, for a period of up to 15 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. None of the area within the District has been designated as a reinvestment zone to date.

County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns and school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Harris County, including the District, are included in the HCAD. HCAD is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Harris County at an election held for such purpose, determines to transfer such functions to the HCAD or another taxing unit.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. This provision could reduce the assessed value of builder inventory within the District. See "TAX

DATA - Principal 2018 Property Owners” below. The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every four years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. 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, including for three years for agricultural use and for five years for agricultural land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice before the appraisal review board meeting to each owner whose property value is recommended for an increase or if the recommended value is greater than the value rendered by the property owner. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice to the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Under certain circumstances the Board may be required to publish notice and hold a public hearing within the District on a proposed tax rate increase before the Board can hold a public meeting to vote on the tax rate. If the tax rate adopted exceeds by more than 8% the rate needed to pay debt service and certain contractual obligations and to produce, when applied to the property which was on the prior year's roll, the prior year's total taxes levied for purposes other than debt service and such contractual obligations, such excess portion of the levy may be repealed at an election within the District. Such a rollback election may be called upon petition of 10% of the District's qualified voters.

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 Texas state 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 compel compliance with the Property Tax Code. 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.

Collection

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 (180th) 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 equal 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.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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 also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property within six months of foreclosure (unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Further, 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 conservatorship or receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended, and pursuant to the provision of FIRREA. See "INVESTMENT CONSIDERATIONS - The Effect of the Financial Institution Act of 1989."

Reappraisal of Property after Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. See "TAX DATA - Reappraisal of Property after Disaster."

Tax Payment Installments after Disaster

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

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District has levied a debt service tax of \$0.63 per \$100 of Assessed Valuation for 2018. See "Tax Rate Distribution" below.

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 electorate. The District's voters have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation, plus \$0.10 per \$100 of Assessed Valuation for recreational facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax supported bonds which may be issued in the future. The District has levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2018. See "Tax Rate Distribution" below.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$0.25 per \$100 Assessed Valuation, plus \$0.10 per \$100 of Assessed Valuation for recreational facilities.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years (b)</u>	<u>Year Ending 9/30</u>
2008	\$209,382,165	\$1.03	\$2,156,907	100.0%	2009
2009	233,092,524	1.03	2,400,663	99.9	2010
2010	226,244,928	1.09	2,467,217	99.9	2011
2011	223,561,254	1.12	2,504,412	99.9	2012
2012	235,096,608	1.12	2,633,341	99.9	2013
2013	280,981,908	1.12	3,147,260	99.9	2014
2014	355,569,313	0.99	3,520,292	99.9	2015
2015	455,042,396	0.88	4,004,640	99.8	2016
2016	531,087,138	0.82	4,355,578	99.8	2017
2017	582,680,179	0.80	4,661,629	99.6	2018
2018	639,908,360	0.78	4,991,285	(d)	2019

- (a) Per \$100 of Assessed Valuation.
- (b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through November 30, 2018. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.
- (c) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$429,983, which total is included in the amount of \$639,908,360. The Appraisal District has proposed the valuation of such protested properties to be \$498,196. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,927,520, which total is also included in the amount of \$639,908,360. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (d) Levied October 9, 2018. In process of collection.

Tax Rate Distribution

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Service	\$0.63	\$0.65	\$0.67	\$0.70	\$0.76
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.18</u>	<u>0.23</u>
Total	\$0.78	\$0.80	\$0.82	\$0.88	\$0.99

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Property Valuation</u>	2018		2017		2016	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$162,779,311	25.44%	\$156,075,934	26.79%	\$152,560,104	28.73%
Improvements	546,676,616	85.43	506,796,765	87.00	454,667,883	85.61
Personal Property	25,271,365	3.95	14,771,285	2.54	15,321,615	2.88
Uncertified	2,357,503	0.37	0	0.00	0	0.00
Less Exemptions (a)	<u>(97,176,435)</u>	<u>(15.19)</u>	<u>(95,111,292)</u>	<u>(16.33)</u>	<u>(91,462,464)</u>	<u>(17.22)</u>
TOTAL	\$639,908,360	100.00%	\$582,532,692	100.00%	\$531,087,138	100.00%

<u>Property Valuation</u>	2015		2014	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$138,539,822	30.45%	\$113,928,850	32.04%
Improvements	382,970,789	84.16	305,084,956	85.80
Personal Property	14,253,112	3.13	6,396,315	1.80
Less Exemptions	<u>(80,721,327)</u>	<u>(17.74)</u>	<u>(69,840,808)</u>	<u>(19.64)</u>
TOTAL	\$455,042,396	100.00%	\$355,569,313	100.00%

- (a) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$429,983, which total is included in the amount of \$639,908,360. The Appraisal District has proposed the valuation of such protested properties to be \$498,196. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,927,520, which total is also included in the amount of \$639,908,360. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018.

Principal 2018 Property Owners

Based upon information supplied by the District’s Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2018. The information reflects the composition of the Appraisal District’s record of property ownership as of January 1, 2018. See “PRINCIPAL LAND OWNERS.”

<u>Property Owner</u>	<u>Description</u>	<u>2018 Property Value</u>	<u>% 2018 Tax Roll</u>
Tuscany Ridge Arizona, Inc.	Land and Improvements - Multi-Family	\$ 33,721,750	5.27%
Wal-Mart	Land, Improvements and Personal Property - Commercial	23,762,351	3.71
Kroger Texas, L.P.	Land, Improvements and Personal Property - Commercial	20,507,536	3.20
Milestone West Rayford CS LTC	Land and Improvements - Commercial	10,609,719	1.66
IP Avanti Augusta Pines	Land, Improvements and Personal Property - Senior Care Facility	9,638,327	1.51
Tour 18 Capital Partners, Ltd.	Land and Improvements - Golf Course and Clubhouse	6,951,350	1.09
Shadow Creek Estates, Ltd.	Land and Improvements Lots and Homes	6,835,282	1.07
Rudisill Properties, LLC	Land and Improvements - Commercial	5,935,180	0.93
Elmfield Holdings, LLC	Land and Improvements - Commercial	5,929,951	0.93
Frankel Homes Ltd.	Land and Improvements - Homes	<u>4,492,089</u>	<u>0.70</u>
		\$128,383,535	20.07%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2018 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and no sale of additional bonds by the District. As is outlined above under the caption “Historical Values and Tax Collection History,” as of November 30, 2018, the District had collected an average annual percentage of its property taxes of 99.86% for the years 2008 through 2017.

Average Annual Debt Service Requirements (2019-2045)	\$4,010,248
Tax Rate of \$0.66 on the 2018 Assessed Valuation (\$639,908,360) produces	\$4,012,225
Maximum Annual Debt Service Requirement (2045)	\$4,087,769
Tax Rate of \$0.68 on the 2018 Assessed Valuation (\$639,908,360) produces	\$4,133,808

The District levied a debt service tax rate of \$0.63 per \$100 of Assessed Valuation for 2018, plus a maintenance tax of \$0.15 per \$100 of Assessed Valuation. A debt service tax of \$0.63 is not sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement of the Bonds and the Outstanding Bonds, assuming the taxable values in the District at the level of the 2018 Assessed Valuation, a tax collection rate of 95%, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District has collected an average of 99.86% of its 2008

through 2017 tax levies as of November 30, 2018. Moreover, the District's Debt Service Fund balance is estimated to be \$3,648,837 as of December 10, 2018. Although neither Texas law nor the Bond Order require that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL AUDIT REPORT"). Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2018 - \$0.63 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. Increases in the District's tax rate to higher levels than the \$0.78 per \$100 of Assessed Valuation total rate which the District levied for 2018 may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

As is described below under the caption "Estimated Overlapping Taxes," the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District is \$3.08509 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2018 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT- Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2018 Tax Rate/\$100 of A.V.</u>
The District *	\$0.78000
Harris County	0.41858
Harris County Department of Education	0.00519
Harris County Flood Control	0.02877
Harris County Hospital District	0.17108
Port of Houston Authority	0.01155
Klein Independent School District	1.43000
Lone Star College System District	0.10780
Harris County Emergency Service District #7	0.09606
Harris County Emergency Service District #11	<u>0.03606</u>
Total Tax Rate	\$3.08509

* The District levied a total tax of \$0.78 per \$100 of Assessed Valuation for 2018, \$0.63 per \$100 of Assessed Valuation of which is a debt service tax and \$0.15 per \$100 of Assessed Valuation of which is a maintenance tax.

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the Texas Water Commission (now the TCEQ) on October 3, 1979, and confirmed at an election held within the District on November 6, 1979. The District is vested with all of the rights, privileges, authority and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate, acquire, own, and maintain water and wastewater facilities, improvements and to provide for the control and diversion of storm water. The District is additionally empowered to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the TCEQ and the District's voters of the District's plans in such regard. The District is also empowered to provide for solid waste disposal services. The District is subject to the continuing supervision of the TCEQ.

The District is authorized by statute to develop and maintain parks and recreational facilities (excluding swimming pools and golf courses), including the issuing of bonds payable from taxes for such purpose. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District issued its Unlimited Tax Park Bonds, Series 2018A to finance the construction and acquisition of recreational facilities. See "THE BONDS - Authorization of the Bonds" and "INVESTMENT CONSIDERATIONS - Future Debt."

Description

The District contains 1,101.44 acres of land. The District is located entirely within Harris County, Texas, and is located approximately 24 miles north-northwest of the central business district of the City of Houston. The District is located north of FM 2920, west of Gosling Road, east of Kuykendahl Road and west of Interstate Highway 45. The District is bordered on the west by Harris County Municipal Utility District No. 1, on the east by Oakmont Public Utility District, and on the southeast by Northampton Municipal Utility District. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board, consisting of five Directors, which has control over and management supervision of all affairs of the District. All five Directors currently reside within the District. Directors are elected to serve four-year staggered terms at elections held in May of each even-numbered year. The current members and officers of the Board are identified as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u> <u>May</u>
Kevin P. Coyne	President	2022
Debbie S. Kryer	Vice President	2022
Roger S. Fleming	Secretary	2022
Michelle Marek	Assistant Secretary/ Investment Officer	2020
Russel Ritz	Director	2020

The District does not have a general manager or any other full-time employee, but contracts for certain services as follows:

Utility System Operator

Hays Utility Service Corporation has been engaged by the District to operate the District's System. According to Hays Utility Service Corporation, it serves as utility system operator for approximately 37 utility districts.

Tax Assessor/Collector

The District has engaged Kenneth Byrd of Equi-Tax, Inc. as the District's Tax Assessor/Collector (the "Tax Assessor/Collector"). According to Mr. Byrd, he serves as tax assessor/collector for approximately 66 taxing jurisdictions. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc., which acts as bookkeeper for approximately 350 utility districts.

Engineer

The District has engaged R.G. Miller Engineers, Inc. (the "Engineer") as Engineer in connection with the overall planning activities and the design of the System.

Bond Counsel and General Counsel

The District has engaged Young & Brooks, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of District bonds, including the Bonds. The fees paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

Financial Advisor

The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

Auditor

The District has engaged Roth & Eyring, PLLC, Certified Public Accountants (the "Auditor") to audit the District's financial statements for the year ended June 30, 2018. Such audit is included as "APPENDIX B" to this Official Statement.

DEVELOPMENT AND HOME CONSTRUCTION

At December 1, 2018, the District contained 1,364 single-family homes (including 30 homes under construction). In addition, as is described below, the 18-hole Augusta Pines Golf Course, the approximately 100,000 square foot Augusta Pines Country Club, clubhouse, restaurant and office complex, a Jack-in-the-Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a Taco Bell fast food restaurant, a Chick-fil-A fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, the Avanti Senior Care Center and a Wal-Mart have been constructed within the

District. In addition, the 332-unit Everlee Apartments have been constructed on approximately 15.06 acres located within the District. The District contains 1,101.44 acres of land, of which approximately 704.59 acres have been developed as the residential subdivisions of Coventry, Sections 1 through 3, Augusta Pines, Sections 2 through 12, Shadow Creek at Augusta Pines, Shadow Creek Estates at Lago Woods, Shadow Creek Estates, Section 1, Legends of Augusta Pines, Augusta Creek, Sections 1 through 3, Shadow Creek South, Sections 1 through 3 and Retreat at Augusta Pines containing an aggregate of 1,513 fully developed single-family residential lots.

In December 1999, approximately 440 undeveloped acres located within the District were purchased from the District by Augusta Pines, Ltd. and Tour 18, Inc., which are affiliated parties. 628 additional acres now located partially within and partially outside the boundaries of the District were also purchased by such parties which undertook the development of all of such approximately 1,068 acres as Augusta Pines. Augusta Pines is a master-planned golf course residential community which contains the 18-hole semi-private Augusta Pines Golf Course and Country Club, which includes an approximately 100,000 square foot club house, restaurant and office complex. Augusta Pines, Ltd. has completed the development of the Augusta Pines Golf Course and Country Club, consisting of approximately 219.58 acres that contain the aforementioned 18-hole Augusta Pines Golf Course, the approximately 100,000 square foot Augusta Pines Country Club, clubhouse, restaurant and office complex within the District; and Augusta Pines, Sections 2 through 10, consisting of 316 total single-family residential lots (approximately 205.06 total acres) within the District.

In August 2004, Augusta Pines, Ltd. sold approximately 352 acres of land located partially within and partially outside the District to Shadow Creek Estates, Ltd. ("SCE"). SCE has completed the development of Augusta Pines, Section 11 (103 single-family residential lots, approximately 41.55 acres), Shadow Creek at Augusta Pines (103 single-family residential lots, approximately 46.36 acres), Shadow Creek Estates at Lago Woods (45 single-family residential lots, approximately 36.61 acres), Shadow Creek Estates, Section 1 (118 single-family residential lots, approximately 41.82 acres), Shadow Creek South, Section 1 (65 single-family residential lots, approximately 33.20 acres), Shadow Creek South, Section 2 (44 single-family residential lots, approximately 23.55 acres), Shadow Creek South, Section 3 (52 single-family residential lots, approximately 53.09 acres), and Retreat at Augusta Pines (112 single-family lots, approximately 37.71 acres) on portions of such land. SCE currently owns approximately 9 acres of currently undeveloped land located within the District that are available for future development. Since SCE has no obligation to the District to undertake the development of any of the currently undeveloped land that it owns that is located within the District, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. See "FUTURE DEVELOPMENT."

In December 2006, Augusta Pines, Ltd. sold approximately 11.28 acres of land located within the District to Dreamtech Homes, Ltd. ("Dreamtech Homes"). Dreamtech Homes has completed the development of Augusta Pines, Section 12 (50 single-family residential lots) on such approximately 11.28 acres.

Augusta Creek Development, Ltd. completed the development of Augusta Creek, Sections 1 through 3 (a total of 172 single-family residential lots, a total of approximately 60.41 acres). The owner of the Augusta Creek, Section 1 lots that have not been conveyed to homebuilding companies is now Shadow Creek Estates No. II, LLC.

Homes are currently being constructed in the District as is described below under the caption "BUILDERS."

Approximately 77 acres located within the District have been developed with the provision of underground water, sewer and drainage facilities, and are expected to be utilized for commercial purposes. A Jack-in-the Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a Chick-fil-A fast food restaurant, a Taco Bell fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, the Avanti Senior Care Center and a Wal-Mart have been completed on a portion of such approximately 77 acres.

Klein Independent School District owns approximately 43.88 acres located within the District on which it has constructed the Metzler Elementary School, and is constructing Intermediate School No. 10 which are exempt from ad valorem taxes.

The balance of the land that is located within the District is contained within the District's water plant site, drainage ditch or street rights-of-way, or is otherwise not available for development.

As of December 1, 2018, the status of residential development and home construction in the District was as follows:

Residential Units

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>		<u>Completed</u>		
					<u>Sold (i)</u>	<u>Unsold</u>	<u>Sold (i)</u>	<u>Unsold</u>	
Coventry									
Section 1	76	37.43			0	0	76	0	76
Section 2	41	12.69			0	0	41	0	41
Section 3	206	53.00			0	0	203	0	203
Augusta Pines									
Section 2	50	15.75			0	0	48	0	48
Section 3	41	48.48			0	0	37	0	37
Section 4	42	47.58			0	0	40	0	40
Section 5	101	39.52			0	0	98	0	98
Section 6	11	7.22			0	0	11	0	11
Section 7	29	18.97			0	0	28	0	28
Section 8	38	19.04			0	0	34	0	34
Section 9	2	3.70			0	0	1	0	1
Section 10	2	4.80			0	0	2	0	2
Section 11	103	41.55			0	0	103	0	103
Section 12	50	11.24			0	0	50	0	50
Shadow Creek at at Augusta Pines	103(ii)	46.36			0	0	75	0	75
Shadow Creek Estates at Lago Woods	45	36.61			2	0	23	0	25
Shadow Creek Estates Section 1	118	41.82			0	0	116	0	116
Legends of Augusta Pines	10	10.87			0	0	10	0	10
Augusta Creek Section 1	43	22.49			0	0	43	0	43
Section 2	64	22.89			0	0	64	0	64
Section 3	65	15.03			1	0	64	0	65
Shadow Creek South Section 1	65	33.20			0	0	65	0	65
Section 2	44	23.55			1	0	11	0	12
Section 3	52	53.09			7	0	34	0	41
Retreat at Augusta Pines	<u>112</u>	<u>37.71</u>	<u>—</u>	<u>—</u>	<u>19</u>	<u>0</u>	<u>57</u>	<u>0</u>	<u>76</u>
TOTALS	1,513	704.59	0	0	30	0	1,334	0	1,364

- (i) Includes homes sold and contracted for sale. Homes under contract for sale, in some instances, are subject to conditions of appraisal, loan application, approval and inspection.
- (ii) Multiple homes have each been constructed on two lots in Shadow Creek at Augusta Pines. Therefore, it is possible that the maximum number of homes constructed in Shadow Creek at Augusta Pines will be fewer than the total number of developed lots in such section.

PRINCIPAL LAND OWNERS

Role of the Developers

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Prior Bonds and the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Orders authorizing the District to issue the Prior Bonds and the Bonds. The relative success or failure of a developer or principal land owner to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer or principal land owner is generally under no obligation to a district to develop, maintain, or market the property which it owns in a district. Furthermore, there is no restriction on a developer's or a principal land owner's right to sell any or all of the land which it owns within a district. In addition, a developer or principal land owner is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Description of the Principal Land Owners

The principal land owner within the District as reflected on the District's 2018 tax roll is Tuscany Ridge Arizona, Inc., which owns property located in the District which comprised approximately 5.27% of the District's total 2018 Assessed Valuation. The second largest land owner within the District as reflected on the District's 2018 tax roll is Wal-Mart, which owns property located in the District which comprised approximately 3.71% of the District's total 2018 Assessed Valuation. The third largest land owner within the District as reflected on the District's 2018 tax roll is Kroger Texas, L.P., whose property located in the District comprised approximately 3.20% of the District's total 2018 Assessed Valuation. No other party owns property located in the District the 2018 Assessed Valuation of which exceeded 1.66% of the District's 2018 Assessed Valuation.

Augusta Pines, Ltd. is a Texas limited partnership whose managing general partner is Tour 18, Inc., a Texas corporation whose President is Dennis J. Wilkerson, and whose limited partners are members of the Wilkerson family of Spring, Texas. Augusta Pines, Ltd. developed the Augusta Pines Golf Course and Country Club and August Pines, Sections 2 through 10. Augusta Pines, Ltd. currently owns only two fully developed single-family residential lots located within the District. Tour 18, Inc. does not own any land located within the District. Augusta Pines, Ltd. is an affiliate of Tour 18 Capital Partners, Ltd., the owner of the Augusta Pines Golf Course and Country Club that is described in "DEVELOPMENT AND HOME CONSTRUCTION" above.

In August 2004, Augusta Pines, Ltd. sold approximately 352 acres of land located within and outside the District to Shadow Creek Estates, Ltd. ("SCE"). SCE has completed the development of Augusta Pines, Section 11 (103 single-family residential lots, approximately 41.55 acres), Shadow Creek at Augusta Pines (103 single-family residential lots, approximately 46.36 acres), Shadow Creek Estates at Lago Woods (45 single-family residential lots, approximately 36.61 acres), Shadow Creek Estates, Section 1 (118 single-family residential lots, approximately 41.82 acres), Shadow Creek South, Section 1 (65 single-family residential lots, approximately 33.20 acres), Shadow Creek South, Section 2 (44 single-family residential lots, approximately 23.55 acres), Shadow Creek South, Section 3 (52 single-family residential lots, approximately 53.09 acres), and Retreat at Augusta Pines (112 single-family residential lots, approximately 37.71 acres) on portions of such land. In addition, as is described above, SCE currently owns approximately 9 acres of currently undeveloped land located within the District that are available for future development. Since SCE has no obligation to the District to undertake the development of any of the currently undeveloped land that it owns that is located within the District, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. See "FUTURE DEVELOPMENT."

In December 2006, Augusta Pines, Ltd. sold approximately 11.28 acres of land located within the District to Dreamtech Homes, Ltd. (“Dreamtech Homes”). Dreamtech Homes has completed the development of Augusta Pines, Section 12 (50 single-family residential lots) on such approximately 11.28 acres.

Augusta Creek Development, Ltd. (“ACD”) completed the development of Augusta Creek, Sections 1 through 3, consisting of 172 total single-family residential lots (approximately 60.41 total acres). ACD owns no additional land located within the District. The owner of the Augusta Creek, Section 1 lots that have not been conveyed to homebuilding companies is now Shadow Creek Estates No. II, LLC.

Spanos Corporation has completed the development of approximately 15.06 acres of land located within the District on which the 332-unit Everlee Apartments have been constructed.

BUILDERS

Brickland Homes, Flair Builders, Cannon Custom Homes and Matt Powers Homes are currently constructing homes in Shadow Creek at Augusta Pines that range in size from approximately 2,800 to 10,000 square feet of living area and in sales price from approximately \$500,000 to \$4,000,000.

Cannon Custom Homes, Matt Powers Homes, Tommy Bailey Homes, Flair Builders and Jeff Paul Homes and TD Cox Homes are currently constructing homes in Shadow Creek Estates at Lago Woods that range in size from approximately 5,000 to 10,000 square feet of living area and in sales price from approximately \$1,100,000 to \$4,000,000.

Frontier Homes is currently constructing homes in Augusta Creek, Section 3 that range in size from approximately 2,500 to 4,000 square feet of living area and in sales price from approximately \$300,000 to \$650,000.

Highland Homes and J. Patrick Homes are currently constructing homes in Shadow Creek South, Sections 1 and 3 that range in size from approximately 2,800 to 5,000 square feet of living area and in sales price from approximately \$525,000 to \$950,000. Frankel Homes is currently constructing homes in Shadow Creek South, Section 2 that range in size from 3,000 to 8,000 square feet of living area and in sales price from approximately \$1,000,000 to \$2,500,000.

Lennar Homes, JD Allen Homes and Drees Custom Homes are constructing homes in Retreat at Augusta Pines that range in size from approximately 4,500 to 6,000 square feet of living area and in sales price from approximately \$450,000 to \$1,500,000.

Collective reference is sometimes made in this Official Statement to all of the aforementioned home building companies as the “Builders.”

FUTURE DEVELOPMENT

SCE (see “PRINCIPAL LAND OWNERS” above) currently owns approximately 9 acres of land located within the District that are available for future development. In addition, as is described above under the heading “PRINCIPAL LAND OWNERS,” SCE has no obligation to the District to undertake the development of any of the currently undeveloped land that it owns that is located within the District, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. Approximately 77 acres located within the District have been developed with the provision of underground water, sewer and drainage facilities, and are expected to be utilized for commercial purposes. A Jack-in-the-Box fast food restaurant, a child care facility, a Whataburger fast food restaurant, a Taco Bell fast food restaurant, a Chick-fil-A fast food restaurant, a CVS Pharmacy, 3 retail strip shopping centers, a Regions Bank, a Bank of America bank, a Timewise convenience store/gas station, a Kroger grocery store and retail center, the Avanti Senior Care Center and a Wal-Mart have been completed on a portion of such approximately 77 acres. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions that are described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.”

THE SYSTEM

Regulation

According to the District's Engineer, the District's water, wastewater and drainage facilities (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, Harris County, the Harris County Flood Control District (the "HCFCD") and the City. According to the District's Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies and the District's Engineer.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. The total number of equivalent single-family connections ("ESFCs") currently estimated for the District upon the full development of its 1,101.44 acres is approximately 2,452 with a total estimated population of 6,700 people, although SCE has not submitted a definitive land plan to the District covering the approximately 9 currently undeveloped acres which SCE owns that are available for future development (see "FUTURE DEVELOPMENT").

Description of the System

Certain components of the District's System are described below, based upon information obtained from the District's Engineer. The System presently serves the 1,513 fully developed single-family residential lots that have been platted as Coventry, Sections 1 through 3, Augusta Pines, Sections 2 through 12, Shadow Creek Estates at Augusta Pines, Shadow Creek Estates at Lago Woods, Shadow Creek Estates, Section 1, Legends of Augusta Pines, Augusta Creek, Sections 1 through 3, Shadow Creek South, Sections 1 through 3, Retreat at Augusta Pines, plus the Augusta Pines Clubhouse, a Klein ISD Elementary School, and the Augusta Pines Commercial Center, and includes underground water distribution, wastewater collection and storm drainage lines and roadside ditches to serve such lots. The District financed the underground facilities serving Coventry, Sections 1 through 3, Augusta Pines, Sections 2 through 12, Shadow Creek Estates at Lago Woods, Legends of Augusta Pines, Augusta Creek, Sections 1 through 3, West Rayford Road, Section 2, Shadow Creek Estates, Section 1, Shadows Creek South, Sections 1 through 3, Retreat at Augusta Pines, the August Pines Commercial Center, and the Kuykendahl Tract, the District's capital contributions to the North Harris County Regional Water Authority ground to surface water conversion project, plus certain water supply and wastewater treatment facilities with the proceeds of the sale of the Prior Bonds. The District is financing a portion of the components of the System including Wastewater Treatment Plant Phase No. 2 Expansion, abandonment of Wastewater Treatment Plant No. 1, wastewater rehabilitation to serve Coventry Estates, a water reclamation system and other facilities, with portions of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance its cost of additional components of the System, and recreational facilities, with the proceeds of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Authorization of the Bonds" and - "Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "DISTRICT DEBT."

- Water Supply Facilities -

The District's potable water is supplied by the following facilities financed with portions of the proceeds of the Prior Bonds: (i) Water Well and Water Plant No. 1, consisting of a 1,000 gallons per minute ("gpm") well and pump, a 210,000 gallon and 20,000 gallon ground storage tank, one 500 gpm booster pump and two 750 gpm booster pumps, 5,000 gallon, 10,000 gallon and 20,000 gallon hydropneumatic tanks, a chlorinator and control building, and an access road and fencing; and (ii) Water Well and Water Plant No. 2, consisting of a 1,000 gpm well and pump, a 210,000 gallon ground storage tank and a 498,000 gallon ground storage tank, 2,500 gpm of booster pump capacity, and a 15,000 gallon hydropneumatic tank. The District has constructed water interconnection lines connecting the District's water distribution system with the water distribution system of Harris County Municipal Utility District No. 1. According to the District's Engineer, the District's current water supply facilities provide sufficient capacity to serve 2,703 ESFCs.

- Wastewater Treatment Facilities -

Wastewater from the District is currently being treated at the existing 250,000 gallons per day (“gpd”) interim Wastewater Treatment Plant No. 1 and 460,000 gpd permanent Wastewater Treatment Plant No. 2. According to the District's Engineer, the capacity of such facilities is sufficient to provide service to 2,367 ESFCs.

- Drainage Facilities -

"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.

The District's drainage facilities consist of internal underground storm drainage lines and roadside ditches which drain ultimately into Willow Creek to the south of the District. According to the District's Engineer, a portion of the District lies within the 100-year flood plain of Willow Creek as determined by the applicable flood hazard boundary map of the Federal Emergency Management Agency. According to the District's Engineer, all of the acreage within the District that is located within the 100-year flood plain is located within, or adjacent to, the drainage system except for interim Wastewater Treatment Plant No. 1 site and an 8 acre tract of currently undeveloped land that is expected to be mitigated and removed from the 100-year flood plain before it is developed in the future.

- Subsidence and Conversion to Surface Water Supply -

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. 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. The Texas legislature created the North Harris County Regional Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within 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 imposed on the District for groundwater pumped by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, \$3.40 per 1,000 gallons based on the amount of groundwater pumped. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority’s project costs. The District has the option to pay its pro rata portion of any Authority financing to the Authority in cash and receive a credit from the Authority on its pumpage fee attributable to such payment, or to not make such capital contribution and pay the pumpage fee and receive no such credit.

Under the Subsidence District regulations and the GRP, the Authority was required to limit groundwater withdrawals to no more than 70% of the total water demand within the Authority's GRP by January 2010. Additionally, the Subsidence District requires that the Authority limit groundwater withdrawals to no more than 40% of the total water demand within the Authority's GRP beginning in 2025; and limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.00 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP. The District has made financial capital contributions aggregating \$1,477,988 with proceeds of certain of the Prior Bonds.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Young & Brooks, Houston, Texas, Bond Counsel ("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. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District. See "THE BONDS - Source of Payment." Bond Counsel's opinion will also address certain matters described below under "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Young & Brooks has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for the subsections entitled "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "DISTRICT BANKRUPTCY," "TAXING PROCEDURES," "THE DISTRICT - Authority" and - "Management of the District - Counsel," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection entitled "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Code, and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, 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 (the "Code").

Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents 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 comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the Project. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount 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 accrual period or be in excess of one year. In such event, 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 would constitute original issue discount. 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, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 accrual period and ratably within each such accrual 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 the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount 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 the treatment 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.

Collateral Federal Income Tax Consequences

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

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

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

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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an

incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions

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 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 expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action which would assure or to refrain from such action which 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 (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Harris County Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "Certification of Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the year ended June 30, 2018, were prepared by Roth & Eyring, PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." Roth & Eyring, PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned "THE SYSTEM," has been provided by R.G. Miller Engineers, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Harris County Appraisal District and Kenneth Byrd. The District has included certain information herein in reliance upon Mr. Byrd’s authority as an expert in the field of tax assessing and real property appraisal.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” to the extent available, and in “APPENDIX B” (the Audit). The District will update and provide this information within six 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 Rule 15c2-12. The updated information will include audited financial statements, if the District’s audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when

the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten 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 determination 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; and (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of SEC Rule 15c2-12, 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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated

with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District also may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance with Prior Undertakings

The District is in compliance in all material respects with all continuing disclosure agreements made by it in connection with SEC Rule 15c2-12 for the last five years.

This Official Statement was approved by the Board of Directors of Northwest Harris County Municipal Utility District No. 19 as of the date shown on the first page hereof.

/s/ Kevin P. Coyne
President, Board of Directors
Northwest Harris County Municipal
Utility District No. 19

ATTEST:

/s/ Roger S. Fleming
Secretary, Board of Directors
Northwest Harris County Municipal
Utility District No. 19

APPENDIX B

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JUNE 30, 2018

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 19
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
JUNE 30, 2018

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Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Fax 281-277-9484

October 8, 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Harris County Municipal
Utility District No. 19
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Northwest Harris County Municipal Utility District No. 19, as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of 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 of 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 assessment of the risk 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 fund of Northwest Harris County Municipal Utility District No. 19 as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 49 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" 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. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

Wolfe & Cozins, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Northwest Harris County Municipal Utility District No. 19 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. 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. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

Although the statement of activities looks different from a commercial enterprise's income statement, 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 fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt is capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 18,524,722	\$ 12,568,010	\$ 5,956,712
Capital assets	<u>36,303,898</u>	<u>37,357,509</u>	<u>(1,053,611)</u>
Total assets	<u>54,828,620</u>	<u>49,925,519</u>	<u>4,903,101</u>
Long-term liabilities	59,822,877	55,271,197	4,551,680
Other liabilities	<u>2,682,194</u>	<u>2,083,846</u>	<u>598,348</u>
Total liabilities	<u>62,505,071</u>	<u>57,355,043</u>	<u>5,150,028</u>
Net position:			
Invested in capital assets, net of related debt	(24,608,608)	(18,933,431)	(5,675,177)
Restricted	12,016,441	7,011,295	5,005,146
Unrestricted	<u>4,915,716</u>	<u>4,492,612</u>	<u>423,104</u>
Total net position	<u>\$ (7,676,451)</u>	<u>\$ (7,429,524)</u>	<u>\$ (246,927)</u>

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 4,708,026	\$ 4,381,184	\$ 326,842
Charges for services	2,615,635	2,683,699	(68,064)
Other revenues	<u>139,579</u>	<u>49,059</u>	<u>90,520</u>
Total revenues	<u>7,463,240</u>	<u>7,113,942</u>	<u>349,298</u>
Expenses:			
Service operations	4,938,861	3,450,313	1,488,548
Debt service	<u>2,771,306</u>	<u>2,128,407</u>	<u>642,899</u>
Total expenses	<u>7,710,167</u>	<u>5,578,720</u>	<u>2,131,447</u>
Change in net position	(246,927)	1,535,222	(1,782,149)
Net position, beginning of year	<u>(7,429,524)</u>	<u>(8,964,746)</u>	<u>1,535,222</u>
Net position, end of year	<u>\$ (7,676,451)</u>	<u>\$ (7,429,524)</u>	<u>\$ (246,927)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2018, were \$17,392,390, an increase of \$5,495,531 from the prior year.

The General Fund balance increased by \$379,927, as revenues and the reimbursement of \$133,722 from the Capital Projects Fund exceeded expenditures.

The Debt Service Fund balance increased by \$666,114, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$4,449,490, as proceeds from the Series 2018 and 2018A bonds exceeded authorized expenditures and the \$133,722 reimbursement to the General Fund.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of June 30, 2018, was expected to be \$6,143,208 and the actual end of year fund balance was \$6,163,435.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 15,001,180	\$ 14,615,965	\$ 385,215
Detention ponds	4,344,489	3,582,283	762,206
Construction in progress	613,188	4,591,705	(3,978,517)
Pool and spray park	330,959	342,419	(11,460)
Water facilities	5,144,354	4,933,358	210,996
Sewer facilities	10,834,078	9,254,809	1,579,269
Drainage facilities	35,650	36,970	(1,320)
Totals	<u>\$ 36,303,898</u>	<u>\$ 37,357,509</u>	<u>\$ (1,053,611)</u>

Changes to capital assets during the fiscal year ended June 30, 2018, are summarized as follows:

Additions:

Water plant improvements	\$ 187,825
Architectural and engineering for park improvements	19,233
Sanitary sewer and drainage system improvements	40,023
System improvements by developers	<u>405,371</u>
Total additions to capital assets	652,452

Decreases:

Transfer of subdivision drainage system to Harris County	(646,912)
Reduction in estimated developer construction	(357,563)
Depreciation	<u>(701,588)</u>

Net change to capital assets \$ (1,053,611)

Debt

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2018, are summarized as follows:

Bonded debt payable, beginning of year	\$ 53,860,000
Sale of Series 2018 bonds	5,840,000
Sale of Series 2018A park bonds	3,900,000
Bonds paid	<u>(1,115,000)</u>
Bonded debt payable, end of year	<u>\$ 62,485,000</u>

At June 30, 2018, the District had \$16,270,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$6,100,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving recreational facilities..

The District has an underlying rating of BBB from Standard & Poor's and the Series 2018 and 2018A bonds have an underlying rating of A3 from Moody's. The Series 2011, 2014, 2014A, 2018 and 2018A bonds are insured by Assured Guaranty Municipal Corp. The Series 2009 bonds are insured by Assured Guaranty Corp. The Series 2013, 2015 and 2015 Refunding bonds are insured by Build America Mutual Assurance Company. The issue rating of the Series 2012 bonds is BBB and the insured rating of the Series 2009, 2011, 2013, 2014, 2014A, 2015, 2015 Refunding, 2018 and 2018 bonds is AA by Standard & Poor's. The insured rating of the Series 2014, 2018 and 2018A bonds is A2 by Moody's. There were no changes in the bond ratings during the fiscal year ended June 30, 2018.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At June 30, 2018, the estimated amount due to developers was \$219,628.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$55,440,000 for the 2017 tax year (approximately 10%) primarily due to the addition of new houses to the tax base.

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 District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is located within the boundaries of the Harris-Galveston Subsidence District ("Subsidence District") and the North Harris County Regional Water Authority ("NHCRWA"). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA's Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the "NHCRWA System"). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA's Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has elected to participate in this manner as described below. The District may be required by the NHCRWA to participate in the groundwater conversion project by converting to surface water some time after January 1, 2010. Noncompliance with the NHCRWA's Groundwater Reduction Plan or nonparticipation in the NHCRWA's surface water conversion project could result in the District's exclusion from the NHCRWA's Groundwater Reduction Plan and assessment of the Subsidence District's disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. The current pumpage fee is \$3.40 and is expected to increase in the future. The Authority's current surface water usage fee is \$3.85 and is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold four issues of bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

As further described in Note 9 of the notes to the financial statements, the District has contributed \$1,477,988 to the Authority for its share of the construction costs. Under the terms of the contracts, the District will receive credits quarterly. These credits are to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credits are based upon the amortization of the District's contribution.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 409,745	\$ 96,696	\$ 3,655,218	\$ 4,161,659	\$	\$ 4,161,659
Certificates of deposit, at cost, Note 7	443,671	488,802		932,473		932,473
Temporary investments, at cost, Note 7	4,362,907	5,452,357	2,014,079	11,829,343		11,829,343
Receivables:						
Property taxes	21,021	87,417		108,438		108,438
Accrued penalty and interest on property taxes				0	26,045	26,045
Service accounts	172,651			172,651		172,651
Accrued interest	1,941	1,944		3,885		3,885
Other	9,388			9,388		9,388
Due from other funds	15,811	178		15,989	(15,989)	0
Prepaid bond issuance expenditures	12,100			12,100		12,100
Prepaid surface water capital contribution, Note 9	1,268,740			1,268,740		1,268,740
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	19,958,857	19,958,857
Depreciable capital assets				0	16,345,041	16,345,041
Total assets	<u>\$6,717,975</u>	<u>\$6,127,394</u>	<u>\$5,669,297</u>	<u>\$ 18,514,666</u>	<u>36,313,954</u>	<u>54,828,620</u>
LIABILITIES						
Accounts payable	\$ 282,881	\$ 30,602	\$ 15,848	\$ 329,331		329,331
Construction contracts payable			31,087	31,087		31,087
Developer reimbursement payable			386,971	386,971		386,971
Accrued interest payable				0	594,716	594,716
Customer and builder deposits	250,460			250,460		250,460
Due to other funds	178	3,100	12,711	15,989	(15,989)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,089,629	1,089,629
Due in more than one year				0	59,822,877	59,822,877
Total liabilities	<u>533,519</u>	<u>33,702</u>	<u>446,617</u>	<u>1,013,838</u>	<u>61,491,233</u>	<u>62,505,071</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>21,021</u>	<u>87,417</u>	<u>0</u>	<u>108,438</u>	<u>(108,438)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Prepaid surface water capital contribution, Note 9	1,268,740			1,268,740	(1,268,740)	0
Restricted for future construction, Note 7			428,925	428,925	(428,925)	0
Assigned to:						
Debt service		6,006,275		6,006,275	(6,006,275)	0
Capital projects			4,793,755	4,793,755	(4,793,755)	0
Unassigned	<u>4,894,695</u>			<u>4,894,695</u>	<u>(4,894,695)</u>	<u>0</u>
Total fund balances	<u>6,163,435</u>	<u>6,006,275</u>	<u>5,222,680</u>	<u>17,392,390</u>	<u>(17,392,390)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$6,717,975</u>	<u>\$6,127,394</u>	<u>\$5,669,297</u>	<u>\$ 18,514,666</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(24,608,608)	(24,608,608)
Restricted for debt service					5,525,021	5,525,021
Restricted for capital projects					5,222,680	5,222,680
Restricted for prepaid surface water capital contribution					1,268,740	1,268,740
Unrestricted					<u>4,915,716</u>	<u>4,915,716</u>
Total net position					<u>\$ (7,676,451)</u>	<u>\$ (7,676,451)</u>

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

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES						
Property taxes	\$ 871,421	\$ 3,776,272	\$	\$ 4,647,693	\$ 24,118	\$ 4,671,811
Water service	532,648			532,648		532,648
Sewer service	538,420			538,420		538,420
Surface water fees, Note 9	729,276			729,276		729,276
Penalty and interest	13,577	28,706		42,283	7,509	49,792
Tap connection and inspection fees	300,751			300,751		300,751
Capital connection fees			423,452	423,452		423,452
Interest on prepaid surface water capital contribution, Note 9	68,806			68,806		68,806
Accrued interest on bonds received at date of sale		6,203		6,203	(6,203)	0
Interest on deposits and investments	57,972	62,793	18,814	139,579		139,579
Other	8,705			8,705		8,705
Total revenues	<u>3,121,576</u>	<u>3,873,974</u>	<u>442,266</u>	<u>7,437,816</u>	<u>25,424</u>	<u>7,463,240</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	345,572	52,862	5,375	403,809		403,809
Contracted services	121,399	56,648		178,047		178,047
Utilities	205,653			205,653		205,653
Surface water pumpage fees, Note 9	919,477			919,477		919,477
Repairs and maintenance	601,674			601,674		601,674
Other operating expenditures	228,229			228,229		228,229
Security service	40,963			40,963		40,963
Garbage	199,038			199,038		199,038
Administrative expenditures	81,514	8,978		90,492		90,492
Depreciation				0	701,588	701,588
Capital outlay / non-capital outlay	131,852		4,754,051	4,885,903	(3,516,012)	1,369,891
Debt service:						
Principal retirement		1,115,000		1,115,000	(1,115,000)	0
Bond issuance expenditures			608,972	608,972		608,972
Interest and fees		1,974,372		1,974,372	187,962	2,162,334
Total expenditures / expenses	<u>2,875,371</u>	<u>3,207,860</u>	<u>5,368,398</u>	<u>11,451,629</u>	<u>(3,741,462)</u>	<u>7,710,167</u>
Excess (deficiency) of revenues over expenditures	<u>246,205</u>	<u>666,114</u>	<u>(4,926,132)</u>	<u>(4,013,813)</u>	<u>3,766,886</u>	<u>(246,927)</u>
OTHER FINANCING SOURCES (USES)						
Reimbursement (to) from other fund, Note 7	133,722		(133,722)	0		0
Bonds issued, Note 5		230,656	9,509,344	9,740,000	(9,740,000)	0
Bond issuance discount, Note 5		(230,656)		(230,656)	230,656	0
Total other financing sources (uses)	<u>133,722</u>	<u>0</u>	<u>9,375,622</u>	<u>9,509,344</u>	<u>(9,509,344)</u>	<u>0</u>
Net change in fund balances / net position	379,927	666,114	4,449,490	5,495,531	(5,742,458)	(246,927)
Beginning of year	<u>5,783,508</u>	<u>5,340,161</u>	<u>773,190</u>	<u>11,896,859</u>	<u>(19,326,383)</u>	<u>(7,429,524)</u>
End of year	<u>\$ 6,163,435</u>	<u>\$ 6,006,275</u>	<u>\$ 5,222,680</u>	<u>\$ 17,392,390</u>	<u>\$(25,068,841)</u>	<u>\$ (7,676,451)</u>

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

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2018

NOTE 1: REPORTING ENTITY

Northwest Harris County Municipal Utility District No. 19 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective October 3, 1979, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on October 5, 1979 and the first bonds were sold on May 5, 1982. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Prepaid Surface Water Capital Contributions

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under the terms of the Capital Contribution Contracts (the "Contracts") are recorded as either a repayment of the principal amount of the prepaid surface water capital contribution or interest earned on the prepayment at the interest rate of the applicable Contract. The principal is amortized based upon the life of the credits and the interest rate of the applicable Contract.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 17,392,390
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		36,303,898
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (62,485,000)	
Deferred charge on refunding (to be amortized as interest expense)	1,008,088	
Issuance discount, net of premium (to be amortized as interest expense)	784,034	
Due to developers	<u>(219,628)</u>	(60,912,506)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	26,045	
Uncollected property taxes	<u>108,438</u>	134,483
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(594,716)</u>
Net position, end of year		<u>\$ (7,676,451)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 5,495,531
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 3,516,012	
Depreciation	<u>(701,588)</u>	2,814,424
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(9,740,000)	
Principal reduction	<u>1,115,000</u>	(8,625,000)
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(90,784)	
Issuance discount, net of premium and amortization	<u>226,183</u>	135,399
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	7,509	
Uncollected property taxes	<u>24,118</u>	31,627
<p>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 the funds:</p>		
Accrued interest		<u>(98,908)</u>
Change in net position		<u>\$ (246,927)</u>

NOTE 4: CAPITAL ASSETS

At June 30, 2018, "Invested in capital assets, net of related debt" was \$(24,608,608). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and improvements	\$ 14,615,965	\$ 385,215	\$	\$ 15,001,180
Detention ponds	3,582,283	762,206		4,344,489
Construction in progress	<u>4,591,705</u>	<u>652,452</u>	<u>4,630,969</u>	<u>613,188</u>
Total capital assets not being depreciated	<u>22,789,953</u>	<u>1,799,873</u>	<u>4,630,969</u>	<u>19,958,857</u>
Depreciable capital assets:				
Pool and spray park	399,148			399,148
Water system	7,853,637	486,867		8,340,504
Sewer system	11,975,249	1,992,206		13,967,455
Drainage system	<u>59,410</u>			<u>59,410</u>
Total depreciable capital assets	<u>20,287,444</u>	<u>2,479,073</u>	<u>0</u>	<u>22,766,517</u>
Less accumulated depreciation for:				
Pool and spray park	(56,729)	(11,460)		(68,189)
Water system	(2,920,279)	(275,871)		(3,196,150)
Sewer system	(2,720,440)	(412,937)		(3,133,377)
Drainage system	<u>(22,440)</u>	<u>(1,320)</u>		<u>(23,760)</u>
Total accumulated depreciation	<u>(5,719,888)</u>	<u>(701,588)</u>	<u>0</u>	<u>(6,421,476)</u>
Total depreciable capital assets, net	<u>14,567,556</u>	<u>1,777,485</u>	<u>0</u>	<u>16,345,041</u>
Total capital assets, net	<u>\$ 37,357,509</u>	<u>\$ 3,577,358</u>	<u>\$ 4,630,969</u>	<u>\$ 36,303,898</u>
Changes to capital assets:				
Capital outlay		\$ 4,520,487	\$	
Capital outlay paid (decrease in liability) to developer		(4,273,406)		
Assets transferred to non depreciable assets		2,479,073	2,479,073	
Assets transferred to depreciable assets		1,147,421	1,147,421	
Increase in liability to developers for construction		405,371		
Decrease in liability to developers for construction			357,563	
Transfer of subdivision drainage system to Harris County			646,912	
Less depreciation expense for the fiscal year		<u>(701,588)</u>		
Net increases / decreases to capital assets		<u>\$ 3,577,358</u>	<u>\$ 4,630,969</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 53,860,000	\$ 9,740,000	\$ 1,115,000	\$ 62,485,000	\$ 1,195,000
Less deferred amounts:					
For issuance (discounts) premium	(557,851)	(230,656)	(4,473)	(784,034)	(16,810)
For refunding	<u>(1,098,872)</u>		<u>(90,784)</u>	<u>(1,008,088)</u>	<u>(88,561)</u>
Total bonds payable	<u>52,203,277</u>	<u>9,509,344</u>	<u>1,019,743</u>	<u>60,692,878</u>	<u>1,089,629</u>
Due to developers (see below)	<u>4,087,663</u>	<u>405,371</u>	<u>4,273,406</u>	<u>219,628</u>	-----
Total long-term liabilities	<u>\$ 56,290,940</u>	<u>\$ 9,914,715</u>	<u>\$ 5,293,149</u>	<u>\$ 60,912,506</u>	<u>\$ 1,089,629</u>

As of June 30, 2018, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,195,000	\$ 2,309,744	\$ 3,504,744
2020	1,375,000	2,221,438	3,596,438
2021	1,415,000	2,182,463	3,597,463
2022	1,460,000	2,140,986	3,600,986
2023	1,505,000	2,093,312	3,598,312
2024 - 2028	8,370,000	9,628,769	17,998,769
2029 - 2033	10,050,000	8,007,925	18,057,925
2034 - 2038	12,020,000	6,091,936	18,111,936
2039 - 2043	14,725,000	3,417,590	18,142,590
2044 - 2046	<u>10,370,000</u>	<u>593,450</u>	<u>10,963,450</u>
	<u>\$ 62,485,000</u>	<u>\$ 38,687,613</u>	<u>\$ 101,172,613</u>

Bonds voted	\$ 79,250,000
Bonds approved for sale and sold	62,980,000
Bonds voted and not issued	16,270,000
Refunding bonds voted	10,000,000
Refunding bonds sold	6,525,000
Refunding bonds voted and not issued	3,475,000
Recreational facilities bonds voted	10,000,000
Recreational facilities bonds approved for sale and sold	3,900,000
Recreational facilities bonds voted and not issued	6,100,000

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at June 30, 2018, were as follows:

	<u>Series 2011</u>	<u>Series 2012</u>	<u>Refunding Series 2013</u>
Amounts outstanding, June 30, 2018	\$3,315,000	\$1,900,000	\$2,775,000
Interest rates	4.00% to 4.75%	2.50% to 4.50%	3.00% to 4.00%
Maturity dates, serially beginning/ending	October 1, 2018/2030	October 1, 2018/2036	October 1, 2018/2030
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	October 1, 2018*	October 1, 2019*	October 1, 2020*
	<u>Refunding Series 2014</u>	<u>Series 2014A</u>	<u>Refunding Series 2015</u>
Amounts outstanding, June 30, 2018	\$4,375,000	\$10,225,000	\$18,405,000
Interest rates	4.75% to 5.25%	4.00% to 5.25%	2.00% to 3.50%
Maturity dates, serially beginning/ending	October 1, 2018/2039	October 1, 2018/2042	October 1, 2018/2035
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	October 1, 2021*	October 1, 2021*	October 1, 2022*
	<u>Series 2015</u>	<u>Series 2018</u>	<u>Park Series 2018A</u>
Amounts outstanding, June 30, 2018	\$11,750,000	\$5,840,000	\$3,900,000
Interest rates	3.00% to 3.875%	3.00% to 4.00%	3.00% to 3.375%
Maturity dates, serially beginning/ending	October 1, 2018/2045	October 1, 2019/2045	October 1, 2019/2045
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	October 1, 2022*	October 1, 2025*	October 1, 2025*

*Or any date thereafter, callable at the principal amount plus accrued interest, in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The engineer stated that cost of the construction in progress at June 30, 2018, was \$219,628. These amounts have been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

On November 6, 1979 the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 9, 2017, the District levied the following ad valorem taxes for the 2017 tax year on the adjusted taxable valuation of \$586,664,963:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.6500	\$ 3,800,372
Maintenance	<u>0.1500</u>	<u>877,009</u>
	<u>\$ 0.8000</u>	<u>\$ 4,677,381</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2017 tax year total property tax levy	\$ 4,677,381
Appraisal district adjustments to prior year taxes	<u>(5,570)</u>
Statement of Activities property tax revenues	<u>\$ 4,671,811</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$5,094,132 and the bank balance was \$5,219,299. Of the bank balance, \$1,062,809 was covered by federal insurance and \$4,156,490 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$11,829,343.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$	96,696
Certificates of deposit		488,802
Temporary investments		<u>5,452,357</u>
	<u>\$</u>	<u>6,037,855</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	3,655,218
Temporary investments		<u>2,014,079</u>
	<u>\$</u>	<u>5,669,297</u>

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At June 30, 2018, the District had physical damage and boiler and machinery coverage of \$11,100,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, commercial umbrella liability coverage of \$1,000,000, automobile liability coverage of \$1,000,000, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: REGIONAL WATER AUTHORITY

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of June 30, 2018, the Authority had established a well pumpage fee of \$3.40 per 1,000 gallons of water pumped from each regulated well. The District's well pumpage fees payable to the Authority for the fiscal year ended June 30, 2018, were \$919,477. The District billed its customers \$729,276 during the fiscal year to pay for the fees charged by the Authority.

On July 7, 2003 (amended effective March 10, 2004), the District and the Authority entered in to a Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed \$317,366 to the Authority during the fiscal year ended June 30, 2004 to pay for its share of the costs of constructing infrastructure*to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of \$16,051 annually for the first six calendar years, beginning in 2004 and \$23,129 annually for the next 24 calendar years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in 2010 at a rate of 5.0575% over 24 years.

On February 21, 2005, the District and the Authority entered in to a Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed \$227,810 to the Authority during the fiscal year ended June 30, 2006, to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of \$4,564 for the 2005 calendar year, \$10,955 annually for the next four calendar years and \$15,536 annually for the next 26 calendar years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in 2010 at a rate of 4.8087% over 26 years.

On August 4, 2008, the District and the Authority entered in to a Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed \$932,812 to the Authority during the fiscal year ended June 30, 2009 to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of \$18,684 for the 2009 calendar year, \$50,143 annually for the next four calendar years and \$68,698 annually for the next 25 calendar years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in 2014 at a rate of 5.3755% over 25 years.

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under the terms of the Contracts are recorded as either a repayment of the principal amount of the prepaid surface water capital contribution or interest earned on the prepayment at the interest rate of the applicable Contract. The principal is amortized based upon the life of the credits and the interest rate of the applicable Contract.

During the fiscal year ended June 30, 2018, the District received credits of \$107,363 under the provisions of the Contracts. Of this amount, \$36,557 was a repayment of principal and \$68,806 was interest.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

A summary of the amortization of the remaining scheduled credits for the prepaid capital contributions is as follows:

Credits Due During Fiscal Years Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 40,605	\$ 66,757	\$ 107,362
2020	42,765	64,598	107,363
2021	45,038	62,324	107,362
2022	47,434	59,929	107,363
2023	49,956	57,407	107,363
2024-2028	292,598	244,216	536,814
2029-2033	379,245	157,569	536,814
2034-2038	337,442	56,452	393,894
2039	33,657	692	34,349
	<u>\$ 1,268,740</u>	<u>\$ 769,944</u>	<u>\$ 2,038,684</u>

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 735,000	\$ 735,000	\$ 871,421	\$ 136,421
Water service	570,000	570,000	532,648	(37,352)
Sewer service	555,000	555,000	538,420	(16,580)
Surface water fees	500,000	500,000	729,276	229,276
Penalty	28,000	28,000	13,577	(14,423)
Tap connection and inspection fees	100,000	100,000	300,751	200,751
Interest on prepaid surface water capital cont.	0	0	68,806	68,806
Interest on deposits and investments	15,000	15,000	57,972	42,972
Other revenues	25,000	25,000	8,705	(16,295)
TOTAL REVENUES	2,528,000	2,528,000	3,121,576	593,576
EXPENDITURES				
Service operations:				
Professional fees	270,600	270,600	345,572	74,972
Contracted services	113,000	113,000	121,399	8,399
Utilities	182,000	182,000	205,653	23,653
Surface water pumpage fees	450,000	450,000	919,477	469,477
Repairs and maintenance	584,000	584,000	601,674	17,674
Other operating expenditures	166,500	166,500	228,229	61,729
Security service	0	0	40,963	40,963
Garbage disposal	223,200	223,200	199,038	(24,162)
Administrative expenditures	104,000	104,000	81,514	(22,486)
Capital outlay	75,000	75,000	131,852	56,852
TOTAL EXPENDITURES	2,168,300	2,168,300	2,875,371	707,071
EXCESS REVENUES (EXPENDITURES)	359,700	359,700	246,205	(113,495)
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	0	0	133,722	133,722
TOTAL OTHER FINANCIAL SOURCES (USES)	0	0	133,722	133,722
EXCESS SOURCES (USES)	359,700	359,700	379,927	20,227
FUND BALANCE, BEGINNING OF YEAR	5,783,508	5,783,508	5,783,508	0
FUND BALANCE, END OF YEAR	\$ 6,143,208	\$ 6,143,208	\$ 6,163,435	\$ 20,227

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

JUNE 30, 2018

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

SCHEDULE OF SERVICES AND RATES (Continued)

JUNE 30, 2018

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,020	1,010	1.0	1,010
1"	320	317	2.5	793
1-1/2"	7	7	5.0	35
2"	35	35	8.0	280
3"	2	2	15.0	30
4"	2	2	25.0	50
6"	3	3	50.0	150
8"	4	4	80.0	320
10"	2	2	115.0	230
Total Water	<u>1,395</u>	<u>1,382</u>		<u>2,898</u>
Total Wastewater	<u>1,361</u>	<u>1,348</u>	1.0	<u>1,348</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 279,750
 Gallons billed to customers (unaudited): 259,394

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 93%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,950	\$	\$	\$ 10,950
Legal	239,790	52,862	5,375	298,027
Engineering	<u>94,832</u>			<u>94,832</u>
	<u>345,572</u>	<u>52,862</u>	<u>5,375</u>	<u>403,809</u>
Contracted services:				
Bookkeeping	16,091			16,091
Operation and billing	105,308			105,308
Tax assessor-collector		21,768		21,768
Central appraisal district		<u>34,880</u>		<u>34,880</u>
	<u>121,399</u>	<u>56,648</u>	<u>0</u>	<u>178,047</u>
Utilities	<u>205,653</u>	<u>0</u>	<u>0</u>	<u>205,653</u>
Surface water pumpage fees	<u>919,477</u>	<u>0</u>	<u>0</u>	<u>919,477</u>
Repairs and maintenance	<u>601,674</u>	<u>0</u>	<u>0</u>	<u>601,674</u>
Other operating expenditures:				
Sludge hauling	79,740			79,740
Chemicals	61,759			61,759
Laboratory costs	69,424			69,424
Sewer inspection costs	12,110			12,110
TCEQ assessment	5,196			5,196
	<u>228,229</u>	<u>0</u>	<u>0</u>	<u>228,229</u>
Security service	<u>40,963</u>	<u>0</u>	<u>0</u>	<u>40,963</u>
Garbage disposal	<u>199,038</u>	<u>0</u>	<u>0</u>	<u>199,038</u>
Administrative expenditures:				
Director's fees	15,150			15,150
Office supplies and postage	22,641			22,641
Insurance	32,555	100		32,655
Permit fees	5,129			5,129
Other	6,039	8,878		14,917
	<u>81,514</u>	<u>8,978</u>	<u>0</u>	<u>90,492</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

EXPENDITURES (Continued)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 40,023	\$	\$ 4,754,051	\$ 4,794,074
Tap connection costs	<u>91,829</u>	<u>0</u>	<u>4,754,051</u>	<u>91,829</u>
	<u>131,852</u>	<u>0</u>	<u>4,754,051</u>	<u>4,885,903</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,115,000</u>	<u>0</u>	<u>1,115,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>608,972</u>	<u>608,972</u>
Interest and fees:				
Interest		1,968,372		1,968,372
Paying agent fees		<u>6,000</u>		<u>6,000</u>
	<u>0</u>	<u>1,974,372</u>	<u>0</u>	<u>1,974,372</u>
TOTAL EXPENDITURES	<u>\$ 2,875,371</u>	<u>\$ 3,207,860</u>	<u>\$ 5,368,398</u>	<u>\$ 11,451,629</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 2,201,824	\$ 3,873,990	\$ 18,814	\$ 6,094,628
Maintenance tax receipts		871,421		871,421
Transfer of maintenance taxes	885,302			885,302
Proceeds from sale of bonds			9,509,344	9,509,344
Capital connection fees			423,452	423,452
Reimbursement from other fund	133,722			133,722
Repayment of prepaid surface water capital contribution principal	36,557			36,557
Increase in customer deposits	53,700			53,700
Overpayments from taxpayers		68,191		68,191
	<u>3,311,105</u>	<u>4,813,602</u>	<u>9,951,610</u>	<u>18,076,317</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,801,282	113,608	5,375	2,920,265
Capital outlay	131,852		4,307,434	4,439,286
Debt service		3,089,372	608,972	3,698,344
Other fund	12,711			12,711
Transfer of maintenance taxes		885,302		885,302
Reimbursement to other fund			133,722	133,722
Refund of taxpayer overpayments		65,403		65,403
	<u>2,945,845</u>	<u>4,153,685</u>	<u>5,055,503</u>	<u>12,155,033</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	365,260	659,917	4,896,107	5,921,284
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>4,851,063</u>	<u>5,377,938</u>	<u>773,190</u>	<u>11,002,191</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 5,216,323</u>	<u>\$ 6,037,855</u>	<u>\$ 5,669,297</u>	<u>\$16,923,475</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JUNE 30, 2018

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 675088346	1.85%	10/16/18	\$ 242,166	\$ 921
No. 1852003413	1.65%	3/10/19	<u>201,505</u>	<u>1,020</u>
			<u>\$ 443,671</u>	<u>\$ 1,941</u>
TexPool				
No. 2572400002	Market	On demand	\$ 4,042,405	\$ 0
No. 2572400003	Market	On demand	29,176	0
No. 2572400004	Market	On demand	291,270	0
No. 2572400007	Market	On demand	<u>56</u>	<u>0</u>
			<u>\$ 4,362,907</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 6000017795	1.20%	8/01/18	\$ 244,163	\$ 1,196
No. 327	1.80%	10/28/18	<u>244,639</u>	<u>748</u>
			<u>\$ 488,802</u>	<u>\$ 1,944</u>
TexPool				
No. 2572400006	Market	On demand	<u>\$ 5,452,357</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2572400008	Market	On demand	<u>\$ 2,014,079</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 12,761,816</u>	<u>\$ 3,885</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 16,401	\$ 67,919
Additions and corrections to prior year taxes	<u>(968)</u>	<u>(4,602)</u>
Adjusted receivable, beginning of year	15,433	63,317
2017 ADJUSTED TAX ROLL	<u>877,009</u>	<u>3,800,372</u>
Total to be accounted for	892,442	3,863,689
Tax collections: Current tax year	(864,586)	(3,746,540)
Prior tax years	<u>(6,835)</u>	<u>(29,732)</u>
RECEIVABLE, END OF YEAR	<u>\$ 21,021</u>	<u>\$ 87,417</u>
RECEIVABLE BY TAX YEAR		
2009	\$ 406	\$ 1,498
2010	625	2,470
2011	602	2,094
2012	760	2,646
2013	872	3,033
2014	799	2,639
2015	1,815	7,058
2016	2,719	12,147
2017	<u>12,423</u>	<u>53,832</u>
RECEIVABLE, END OF YEAR	<u>\$ 21,021</u>	<u>\$ 87,417</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JUNE 30, 2018

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 156,129,059	\$ 152,560,104	\$ 138,539,822	\$ 113,928,850
Improvements	508,308,858	454,795,401	382,970,789	305,084,956
Personal property	14,836,288	15,245,757	14,253,112	6,396,315
Less exemptions	<u>(92,609,242)</u>	<u>(91,377,767)</u>	<u>(80,721,327)</u>	<u>(69,840,808)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 586,664,963</u>	 <u>\$ 531,223,495</u>	 <u>\$ 455,042,396</u>	 <u>\$ 355,569,313</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.65000	\$ 0.67000	\$ 0.70000	\$ 0.76000
Maintenance tax rates*	<u>0.15000</u>	<u>0.15000</u>	<u>0.18000</u>	<u>0.23000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.80000</u>	 <u>\$ 0.82000</u>	 <u>\$ 0.88000</u>	 <u>\$ 0.99000</u>
TAX ROLLS	<u>\$ 4,671,811</u>	<u>\$ 4,356,696</u>	<u>\$ 4,004,640</u>	<u>\$ 3,520,292</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.6 %</u>	<u>99.7 %</u>	<u>99.8 %</u>	<u>99.9 %</u>

*Maximum tax rate approved by voters on November 6, 1979: \$0.25

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2011</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 155,000	\$ 138,988	\$ 293,988
2020	160,000	132,687	292,687
2021	170,000	126,088	296,088
2022	235,000	117,987	352,987
2023	250,000	108,288	358,288
2024	260,000	98,087	358,087
2025	270,000	87,319	357,319
2026	280,000	75,800	355,800
2027	290,000	63,506	353,506
2028	305,000	50,300	355,300
2029	320,000	36,237	356,237
2030	330,000	21,406	351,406
2031	290,000	6,888	296,888
TOTALS	<u>\$ 3,315,000</u>	<u>\$ 1,063,581</u>	<u>\$ 4,378,581</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2012</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 25,000	\$ 81,275	\$ 106,275
2020	25,000	80,462	105,462
2021	25,000	79,463	104,463
2022	25,000	78,462	103,462
2023	25,000	77,463	102,463
2024	25,000	76,462	101,462
2025	25,000	75,463	100,463
2026	50,000	73,962	123,962
2027	50,000	71,900	121,900
2028	50,000	69,775	119,775
2029	50,000	67,650	117,650
2030	50,000	65,525	115,525
2031	50,000	63,338	113,338
2032	50,000	61,087	111,087
2033	50,000	58,838	108,838
2034	50,000	56,587	106,587
2035	50,000	54,375	104,375
2036	50,000	52,200	102,200
2037	<u>1,175,000</u>	<u>25,556</u>	<u>1,200,556</u>
TOTALS	<u>\$ 1,900,000</u>	<u>\$ 1,269,843</u>	<u>\$ 3,169,843</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2013</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 215,000	\$ 100,975	\$ 315,975
2020	230,000	94,300	324,300
2021	235,000	87,325	322,325
2022	185,000	80,100	265,100
2023	190,000	72,600	262,600
2024	200,000	64,800	264,800
2025	210,000	56,600	266,600
2026	225,000	47,900	272,900
2027	235,000	38,700	273,700
2028	250,000	29,000	279,000
2029	260,000	18,800	278,800
2030	280,000	8,000	288,000
2031	60,000	1,200	61,200
TOTALS	\$ 2,775,000	\$ 700,300	\$ 3,475,300

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2014</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 25,000	\$ 209,406	\$ 234,406
2020	25,000	208,094	233,094
2021	25,000	206,782	231,782
2022	25,000	205,468	230,468
2023	25,000	204,156	229,156
2024	25,000	202,844	227,844
2025	25,000	201,532	226,532
2026	25,000	200,219	225,219
2027	50,000	198,250	248,250
2028	50,000	195,625	245,625
2029	50,000	193,000	243,000
2030	50,000	190,375	240,375
2031	50,000	187,750	237,750
2032	50,000	185,250	235,250
2033	50,000	182,875	232,875
2034	50,000	180,500	230,500
2035	50,000	178,125	228,125
2036	50,000	175,750	225,750
2037	50,000	173,375	223,375
2038	1,150,000	144,875	1,294,875
2039	1,200,000	89,062	1,289,062
2040	1,275,000	30,281	1,305,281
TOTALS	<u>\$ 4,375,000</u>	<u>\$ 3,943,594</u>	<u>\$ 8,318,594</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2014A</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 25,000	\$ 413,656	\$ 438,656
2020	25,000	412,344	437,344
2021	25,000	411,031	436,031
2022	25,000	409,719	434,719
2023	25,000	408,406	433,406
2024	25,000	407,094	432,094
2025	25,000	405,781	430,781
2026	25,000	404,469	429,469
2027	25,000	403,156	428,156
2028	50,000	401,187	451,187
2029	50,000	398,563	448,563
2030	50,000	395,938	445,938
2031	50,000	393,313	443,313
2032	50,000	391,000	441,000
2033	50,000	389,000	439,000
2034	50,000	387,000	437,000
2035	50,000	385,000	435,000
2036	50,000	383,000	433,000
2037	950,000	363,000	1,313,000
2038	1,125,000	321,500	1,446,500
2039	1,200,000	275,000	1,475,000
2040	1,250,000	226,000	1,476,000
2041	1,575,000	169,500	1,744,500
2042	1,675,000	104,500	1,779,500
2043	1,775,000	35,500	1,810,500
TOTALS	<u>\$ 10,225,000</u>	<u>\$ 8,694,657</u>	<u>\$ 18,919,657</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2015 Refunding</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 650,000	\$ 551,450	\$ 1,201,450
2020	660,000	538,350	1,198,350
2021	675,000	525,000	1,200,000
2022	690,000	511,350	1,201,350
2023	695,000	494,025	1,189,025
2024	715,000	472,875	1,187,875
2025	735,000	451,125	1,186,125
2026	755,000	428,775	1,183,775
2027	780,000	405,750	1,185,750
2028	790,000	382,200	1,172,200
2029	820,000	358,050	1,178,050
2030	840,000	332,625	1,172,625
2031	1,095,000	302,391	1,397,391
2032	1,590,000	259,444	1,849,444
2033	1,640,000	206,956	1,846,956
2034	1,695,000	151,703	1,846,703
2035	1,760,000	93,400	1,853,400
2036	<u>1,820,000</u>	<u>31,850</u>	<u>1,851,850</u>
TOTALS	<u>\$ 18,405,000</u>	<u>\$ 6,497,319</u>	<u>\$ 24,902,319</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2015</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$ 100,000	\$ 441,812	\$ 541,812
2020	100,000	438,813	538,813
2021	100,000	435,812	535,812
2022	100,000	432,812	532,812
2023	100,000	429,812	529,812
2024	100,000	426,813	526,813
2025	100,000	423,812	523,812
2026	100,000	420,812	520,812
2027	100,000	417,813	517,813
2028	100,000	414,750	514,750
2029	100,000	411,563	511,563
2030	100,000	408,250	508,250
2031	100,000	404,813	504,813
2032	100,000	401,312	501,312
2033	100,000	397,750	497,750
2034	100,000	394,125	494,125
2035	100,000	390,500	490,500
2036	100,000	386,875	486,875
2037	100,000	383,188	483,188
2038	100,000	379,437	479,437
2039	100,000	375,687	475,687
2040	100,000	371,938	471,938
2041	600,000	358,437	958,437
2042	600,000	335,188	935,188
2043	625,000	311,453	936,453
2044	2,450,000	251,875	2,701,875
2045	2,575,000	154,516	2,729,516
2046	2,700,000	52,313	2,752,313
TOTALS	<u>\$ 11,750,000</u>	<u>\$ 10,452,281</u>	<u>\$ 22,202,281</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2018</u>		
	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$	\$ 228,492	\$ 228,492
2020	75,000	194,350	269,350
2021	80,000	191,250	271,250
2022	90,000	187,850	277,850
2023	105,000	183,950	288,950
2024	115,000	179,550	294,550
2025	125,000	174,750	299,750
2026	115,000	169,950	284,950
2027	100,000	166,150	266,150
2028	95,000	163,225	258,225
2029	100,000	160,300	260,300
2030	115,000	157,075	272,075
2031	190,000	152,500	342,500
2032	115,000	147,925	262,925
2033	130,000	144,250	274,250
2034	145,000	140,125	285,125
2035	155,000	135,625	290,625
2036	170,000	130,644	300,644
2037	45,000	127,284	172,284
2038	45,000	125,850	170,850
2039	25,000	124,713	149,713
2040	15,000	124,063	139,063
2041	575,000	114,475	689,475
2042	585,000	95,259	680,259
2043	580,000	75,600	655,600
2044	650,000	54,844	704,844
2045	650,000	32,906	682,906
2046	650,000	10,968	660,968
TOTALS	\$ 5,840,000	\$ 3,893,923	\$ 9,733,923

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Series 2018A Park</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due October 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2019	\$	\$ 143,690	\$ 143,690
2020	75,000	122,038	197,038
2021	80,000	119,712	199,712
2022	85,000	117,238	202,238
2023	90,000	114,612	204,612
2024	90,000	111,912	201,912
2025	95,000	109,138	204,138
2026	95,000	106,288	201,288
2027	105,000	103,288	208,288
2028	110,000	100,062	210,062
2029	115,000	96,688	211,688
2030	120,000	93,162	213,162
2031	125,000	89,488	214,488
2032	130,000	85,662	215,662
2033	135,000	81,688	216,688
2034	145,000	77,488	222,488
2035	150,000	73,062	223,062
2036	155,000	68,391	223,391
2037	165,000	63,390	228,390
2038	170,000	58,156	228,156
2039	180,000	52,575	232,575
2040	180,000	46,725	226,725
2041	195,000	40,631	235,631
2042	205,000	34,003	239,003
2043	210,000	27,000	237,000
2044	220,000	19,744	239,744
2045	230,000	12,150	242,150
2046	245,000	4,134	249,134
TOTALS	\$ 3,900,000	\$ 2,172,115	\$ 6,072,115

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2018

<u>Annual Requirements for All Series</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2019	\$ 1,195,000	\$ 2,309,744	\$ 3,504,744
2020	1,375,000	2,221,438	3,596,438
2021	1,415,000	2,182,463	3,597,463
2022	1,460,000	2,140,986	3,600,986
2023	1,505,000	2,093,312	3,598,312
2024	1,555,000	2,040,437	3,595,437
2025	1,610,000	1,985,520	3,595,520
2026	1,670,000	1,928,175	3,598,175
2027	1,735,000	1,868,513	3,603,513
2028	1,800,000	1,806,124	3,606,124
2029	1,865,000	1,740,851	3,605,851
2030	1,935,000	1,672,356	3,607,356
2031	2,010,000	1,601,681	3,611,681
2032	2,085,000	1,531,680	3,616,680
2033	2,155,000	1,461,357	3,616,357
2034	2,235,000	1,387,528	3,622,528
2035	2,315,000	1,310,087	3,625,087
2036	2,395,000	1,228,710	3,623,710
2037	2,485,000	1,135,793	3,620,793
2038	2,590,000	1,029,818	3,619,818
2039	2,705,000	917,037	3,622,037
2040	2,820,000	799,007	3,619,007
2041	2,945,000	683,043	3,628,043
2042	3,065,000	568,950	3,633,950
2043	3,190,000	449,553	3,639,553
2044	3,320,000	326,463	3,646,463
2045	3,455,000	199,572	3,654,572
2046	3,595,000	67,415	3,662,415
TOTALS	<u>\$ 62,485,000</u>	<u>\$ 38,687,613</u>	<u>\$ 101,172,613</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED JUNE 30, 2018

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2009	2011	2012	2013
Interest Rate:	Not Applicable	4.00% to 4.75%	2.50% to 4.50%	3.00% to 4.00%
Dates Interest Payable:	Not Applicable	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity Dates:	Not Applicable	October 1, 2018/2030	October 1, 2018/2036	October 1, 2018/2030
Bonds Outstanding at Beginning of Current Year	\$ 55,000	\$ 3,465,000	\$ 1,925,000	\$ 2,985,000
Less Retirements	<u>(55,000)</u>	<u>(150,000)</u>	<u>(25,000)</u>	<u>(210,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 0</u>	<u>\$ 3,315,000</u>	<u>\$ 1,900,000</u>	<u>\$ 2,775,000</u>
Current Year Interest Paid	<u>\$ 1,513</u>	<u>\$ 144,337</u>	<u>\$ 81,884</u>	<u>\$ 107,350</u>

Bond Descriptions and Original Amount of Issue

- (1) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2009 (\$1,445,000)
- (2) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Refunding Bonds, Series 2011 (\$3,955,000)
- (3) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2012 (\$2,000,000)
- (4) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2013 (\$3,440,000)

Paying Agent/Registrar

- (1) (2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>
Bond Series:	2014	2014A	2015 Ref	2015
Interest Rate:	4.75% to 5.25%	4.00% to 5.25%	2.00% to 3.50%	3.00% to 3.875%
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity Dates:	October 1, 2018/2039	October 1, 2018/2042	October 1, 2018/2035	October 1, 2018/2045
Bonds Outstanding at Beginning of Current Year	\$ 4,400,000	\$ 10,240,000	\$ 18,990,000	\$ 11,800,000
Less Retirements	<u>(25,000)</u>	<u>(15,000)</u>	<u>(585,000)</u>	<u>(50,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,375,000</u>	<u>\$ 10,225,000</u>	<u>\$ 18,405,000</u>	<u>\$ 11,750,000</u>
Current Year Interest Paid	<u>\$ 210,718</u>	<u>\$ 414,706</u>	<u>\$ 563,800</u>	<u>\$ 444,064</u>

Bond Descriptions and Original Amount of Issue

- (5) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2014 (\$4,420,000)
- (6) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2014A (\$10,240,000)
- (7) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Refunding Bonds, Series 2015 (\$19,540,000)
- (8) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2015 (\$11,800,000)

Paying Agent/Registrar

- (5) (6) (7) (8) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>(9)</u>	<u>(10)</u>	<u>Totals</u>
Bond Series:	2018	2018A	
Interest Rate:	3.00% to 4.00%	3.00% to 3.375%	
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	
Maturity Dates:	October 1, 2019/2045	October 1, 2019/2045	
Bonds Outstanding at Beginning of Current Year	\$	\$	\$ 53,860,000
Add Bonds Sold	5,840,000	3,900,000	9,740,000
Less Retirements	<u>0</u>	<u>0</u>	<u>(1,115,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,840,000</u>	<u>\$ 3,900,000</u>	<u>\$ 62,485,000</u>
Current Year Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,968,372</u>

Bond Descriptions and Original Amount of Issue

(9) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2018
(\$5,840,000)

(10) Northwest Harris County Municipal Utility District No. 19 Unlimited Tax Park Bonds, Series 2018
(\$3,900,000)

Paying Agent/Registrar

(9) (10) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 79,250,000	\$ 10,000,000	\$ 10,000,000
Amount Issued:	62,980,000	3,900,000	6,525,000
Remaining to be Issued:	16,270,000	6,100,000	3,475,000

Net Debt Service Fund deposits balances as of June 30, 2018: \$ 6,006,275
Average annual debt service payment for remaining term of all debt: 3,613,308

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	\$ 871,421	\$ 792,962	\$ 824,258	\$ 819,959	\$ 700,060	27.9 %	22.6 %	23.5 %	39.3 %	32.3%
Water service	532,648	529,186	445,624	332,646	358,570	17.1	15.1	12.8	16.0	16.5
Sewer service	538,420	516,458	450,134	343,978	314,467	17.2	14.8	12.9	16.5	14.5
Surface water fees	729,276	598,346	434,381	324,220	311,638	23.4	17.1	12.5	15.6	14.3
Penalty	13,577	23,170	19,824	13,675	16,180	0.4	0.7	0.6	0.7	0.7
Tap connection and inspection fees	300,751	938,072	1,227,132	167,690	366,001	9.6	26.8	35.2	8.1	16.8
Interest on prepaid surface water capital contribution	68,806	70,752	72,598	74,352	75,354	2.2	2.0	2.1	3.6	3.5
Interest and other revenues	66,677	31,201	14,958	3,584	30,742	2.2	0.9	0.4	0.2	1.4
TOTAL REVENUES	<u>3,121,576</u>	<u>3,500,147</u>	<u>3,488,909</u>	<u>2,080,104</u>	<u>2,173,012</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Service operations:										
Professional fees	345,572	328,386	239,472	176,692	194,954	11.1	9.4	6.9	8.5	9.0
Contracted services	121,399	115,077	112,732	97,424	82,890	3.9	3.3	3.2	4.7	3.8
Utilities	205,653	190,593	174,260	148,428	138,926	6.6	5.4	5.0	7.1	6.4
Surface water pumpage fees	919,477	659,249	505,513	405,734	365,822	29.4	18.9	14.5	19.5	16.8
Lease of sewage plant	0	0	0	41,070	60,000	0.0	0.0	0.0	2.0	2.8
Repairs and maintenance	601,674	495,387	498,896	412,439	361,414	19.3	14.2	14.3	19.8	16.7
Other operating expenditures	228,229	208,129	131,146	130,560	126,507	7.3	5.9	3.8	6.3	5.8
Security service	40,963	0	0	0	0	1.3	0.0	0.0	0.0	0.0
Garbage disposal	199,038	204,187	186,340	172,810	165,984	6.4	5.8	5.3	8.3	7.6
Administrative expenditures	81,514	82,721	90,998	70,515	71,807	2.6	2.4	2.6	3.4	3.3
Capital outlay	131,852	550,060	141,943	104,362	195,568	4.2	15.7	4.1	5.0	9.0
TOTAL EXPENDITURES	<u>2,875,371</u>	<u>2,833,789</u>	<u>2,081,300</u>	<u>1,760,034</u>	<u>1,763,872</u>	<u>92.1</u>	<u>81.0</u>	<u>59.7</u>	<u>84.6</u>	<u>81.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 246,205</u>	<u>\$ 666,358</u>	<u>\$ 1,407,609</u>	<u>\$ 320,070</u>	<u>\$ 409,140</u>	<u>7.9 %</u>	<u>19.0 %</u>	<u>40.3 %</u>	<u>15.4 %</u>	<u>18.8%</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,382</u>	<u>1,333</u>	<u>1,266</u>	<u>1,143</u>	<u>1,021</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,348</u>	<u>1,299</u>	<u>1,233</u>	<u>1,117</u>	<u>997</u>					

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	\$ 3,776,272	\$ 3,539,213	\$ 3,199,284	\$ 2,711,354	\$ 2,437,546	97.5 %	98.7 %	98.5 %	96.1 %	97.9 %
Penalty and interest	28,706	23,316	34,113	34,245	38,891	0.7	0.7	1.1	1.2	1.6
Accrued interest on bonds received at date of sale	6,203	0	0	62,256	7,081	0.2	0.0	0.0	2.2	0.3
Interest on deposits and investments and other	62,793	21,631	12,225	12,784	5,879	1.6	0.6	0.4	0.5	0.2
TOTAL REVENUES	<u>3,873,974</u>	<u>3,584,160</u>	<u>3,245,622</u>	<u>2,820,639</u>	<u>2,489,397</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	52,862	35,921	40,662	40,644	29,490	1.4	1.0	1.3	1.4	1.2
Contracted services	56,648	52,760	48,860	45,387	38,616	1.5	1.5	1.5	1.6	1.6
Other expenditures	8,978	11,384	7,318	9,049	4,310	0.2	0.3	0.2	0.3	0.2
Debt service:										
Principal retirement	1,115,000	1,005,000	1,180,000	760,000	610,000	28.8	28.0	36.4	26.9	24.5
Refunding contribution	0	0	0	16,575	0	0.0	0.0	0.0	0.6	0.0
Interest and fees	1,974,372	2,007,038	2,095,569	1,353,117	1,313,697	50.9	56.0	64.5	48.1	52.7
TOTAL EXPENDITURES	<u>3,207,860</u>	<u>3,112,103</u>	<u>3,372,409</u>	<u>2,224,772</u>	<u>1,996,113</u>	<u>82.8</u>	<u>86.8</u>	<u>103.9</u>	<u>78.9</u>	<u>80.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 666,114</u>	<u>\$ 472,057</u>	<u>\$ (126,787)</u>	<u>\$ 595,867</u>	<u>\$ 493,284</u>	<u>17.2 %</u>	<u>13.2 %</u>	<u>(3.9) %</u>	<u>21.1 %</u>	<u>19.8 %</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2018

Complete District Mailing Address: Northwest Harris County Municipal Utility District No. 19
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77002

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: August 14, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kevin P. Coyne 24906 Forest Augusta Drive Spring, Texas 77389	Elected 5/05/18- 5/07/22	\$ 4,200	\$ 346	President
Debra S. Kryer 25707 Hawn Road Spring, Texas 77389	Elected 5/05/18- 5/07/22	4,800	438	Vice President
Roger Fleming 79 Shadow Creek Ridge Drive Spring, Texas 77389	Elected 5/05/18- 5/07/22	2,700	497	Secretary/ Treasurer/ Inv. Officer
Michelle Marek 7506 Raes Creek Drive Spring, Texas 77389	Elected 5/14/16- 5/02/20	1,950	303	Asst. Secretary
Rusty Ritz 6718 Augusta Pines Parkway East Spring, Texas 77389	Elected 5/14/16- 5/02/20	1,500	346	Director

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JUNE 30, 2018

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	Prior to 6/30/88	\$ 298,028 253,500 Bonds	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	Prior to 6/30/88	18,286 6,000 Bonds	Bookkeeper
Hays Utility South Corporation P.O. Box 1209 Spring, Texas 77383	Prior to 6/30/88	442,397	Operator
R. G. Miller Engineers, Inc. 16340 Park Ten Place, Suite 350 Houston, Texas 77084	3/08/06	216,992	Engineer
Four & One, LLC 5315-B Cypress Creek Pkwy., No. 188 Houston, Texas 77069	11/09/15	229,501	Landscape Architects
Kenneth R. Byrd P.O. Box 73109 Houston, Texas 77090	Prior to 6/30/88	26,701	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	34,880	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/08/03	196,300 Bonds	Financial Advisor
Roth & Eyring 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950 5,200 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

