

OFFICIAL STATEMENT DATED FEBRUARY 6, 2019

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

The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (AGM Insured) . . . "AA" (stable outlook)
 Moody's Investors Service (AGM Insured) . . . "A2" (stable outlook)
 Moody's Investors Service (Underlying) . . . "Baa2" (stable outlook)
 See "BOND INSURANCE" and "RATINGS" herein**

\$2,730,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2019

Dated: March 1, 2019

Due: September 1, as shown below

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from March 1, 2019, and is payable on September 1, 2019, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").



MATURITY SCHEDULE
 CUSIP Prefix (a): 41421B

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>	<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$325,000	2036(c)	3.50%	3.60%	CU2	\$400,000	2040(c)	3.625%	3.75%	CY4
350,000	2037(c)	3.50	3.65	CV0	425,000	2041(c)	3.750	3.85	CZ1
375,000	2038(c)	4.00	3.40	CW8	455,000	2042(c)	3.750	3.90	DA5
400,000	2039(c)	4.00	3.45	CX6					

- (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 (as defined herein) 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. 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 from March 1, 2019, is to be added to the price.
- (c) The Bonds are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 411 (the "District"), as a whole or in part, on September 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.

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 such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). 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 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.

The Bonds constitute the third 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 BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." Voters in the District have authorized a total of \$50,000,000 principal amount of bonds for the purpose of acquiring and constructing the System, and \$32,500,000 principal amount of bonds for refunding purposes. The District has issued one series of bonds for refunding purposes. Following the issuance of the Bonds, \$41,305,000 principal amount of unlimited tax bonds authorized by the District's voters for acquiring and constructing the System and \$32,250,000 principal amount of bonds for refunding purposes will remain unissued. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are 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." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

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 Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about March 7, 2019.

TABLE OF CONTENTS

	<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS	5
Award of the Bonds	5
Marketability	5
Securities Laws	5
BOND INSURANCE	5
Bond Insurance Policy	5
Assured Guaranty Municipal Corp.	5
BOND INSURANCE RISK FACTORS	7
RATINGS	8
OFFICIAL STATEMENT SUMMARY	9
INTRODUCTION	16
THE BONDS	16
General	16
Book-Entry-Only System	16
Use of Certain Terms in Other Sections of this Official Statement	18
Record Date	18
Assignments, Transfers and Exchanges	18
Redemption Provisions	19
Replacement of Registrar	19
Authority for Issuance	19
Source of Payment	19
Issuance of Additional Debt	20
No Arbitrage	20
Dissolution	21
Consolidation	21
Registered Owners' Remedies	21
Bankruptcy Limitation to Registered Owners' Rights	21
Legal Investment and Eligibility to Secure Public Funds in Texas	22
Defeasance	22
Use and Distribution of Bond Proceeds	23
RISK FACTORS	25
General	25
Factors Affecting Taxable Values and Tax Payments	25
Maximum Impact on District Tax Rates	26
Tax Collection Limitations	27
Registered Owners' Remedies and Bankruptcy	27
Future Debt	28
The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District	28
Competitive Nature of Houston Residential Housing Market	29
Continuing Compliance with Certain Covenants	29
Marketability	29
Environmental Regulations	29
Changes in Tax Legislation	32
Tropical Weather Events; Hurricane Harvey	32
THE DISTRICT	33
General	33
Utility Agreement	33
Description	34
Management of the District	34

DEVELOPMENT AND HOME CONSTRUCTION	35
PRINCIPAL LAND OWNER	36
General	36
FUTURE DEVELOPMENT	37
AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT	38
AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT	39
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	40
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	41
DISTRICT DEBT	42
Debt Service Requirement Schedule	42
Bonded Indebtedness	43
Estimated Direct and Overlapping Debt Statement	45
Debt Ratios	45
TAX DATA	46
Debt Service Tax	46
Tax Rate Limitation	46
Maintenance Tax	46
Tax Rate Distribution	47
Analysis of Tax Base	48
Principal 2018 Taxpayers	49
Exemptions	49
Tax Rate Calculations	49
Estimated Overlapping Taxes	50
TAXING PROCEDURES	51
Authority to Levy Taxes	51
Property Tax Code and County-Wide Appraisal District	51
Property Subject to Taxation by the District	51
Tax Abatement	52
Valuation of Property for Taxation	52
District and Taxpayer Remedies	53
Rollback of Operation and Maintenance Tax Rate	53
Levy and Collection of Taxes	53
Additional Penalties	54
District's Rights in the Event of Tax Delinquencies	54
Reappraisal of Property after Disaster	54
Tax Payment Installments after Disaster	55
THE SYSTEM	55
Regulation	55
Description	55
Water Supply	56
Wastewater Treatment	56
Drainage Improvements	56
100-Year Flood Plain	56
LEGAL MATTERS	57
Legal Opinions	57
No-Litigation Certificate	58
No Material Adverse Change	58
TAX MATTERS	58
Tax Accounting Treatment of Original Issue Discount Bonds	59
Qualified Tax-Exempt Obligations	60
OFFICIAL STATEMENT	60
General	60
Experts	61
Certification as to Official Statement	61
Updating of Official Statement	61

CONTINUING DISCLOSURE OF INFORMATION	61
Annual Reports	61
Event Notices	62
Availability of Information	62
Limitations and Amendments	62
Compliance With Prior Undertakings	63

APPENDIX A - LOCATION MAP

APPENDIX B - ANNUAL FINANCIAL REPORT

APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "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 bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.0845% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.886598%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Marketability

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

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

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to

the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's insurance financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

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

Capitalization of AGM

At September 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,203 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

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

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

Miscellaneous Matters

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

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 Underwriters of their 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 Underwriters 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, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "A2" (stable outlook) from Moody's Investors Service ("Moody's") 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 is "Baa2" (stable outlook).

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 they will not be revised downward or withdrawn entirely by S&P and Moody's, if, in their 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. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 411 (the “District”) is a political subdivision of the State of Texas located entirely within Harris County, Texas, and entirely within the corporate boundaries of the City of Houston. See “THE DISTRICT - General.”
Description	\$2,730,000 Unlimited Tax Bonds, Series 2019 are dated March 1, 2019, and mature on September 1 in the years and principal amounts shown on the cover page of this Official Statement. Interest on the Bonds accrues from March 1, 2019, and is payable on September 1, 2019, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2024, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners 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 upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “RISK FACTORS - Maximum Impact on District Tax Rates.”
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) make payment for the cost of acquisition or construction for a Daybreak detention pond, lift station and detention pond

land, and underground water distribution, wastewater collection and storm drainage facilities that serve Daybreak, Sections 3 through 5; (ii) pay engineering fees associated with the foregoing projects; (iii) pay interest on advances that have been made on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") and the Attorney General of Texas, certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its Bond Anticipation Note, Series 2018 (the "BAN"), including payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Payment Record

The Bonds are the fourth series of bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds") and Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds") for the purpose of acquiring and constructing its water supply and distribution, wastewater collection and treatment and storm drainage/detention system (the "System"). The District also has issued 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 such debt obligations issued by the District as the "Prior Bonds." The District has timely made all payments of principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District is \$4,840,000 (the "Outstanding Bonds"). After issuance of the Bonds, the total of the District's direct bonded indebtedness owing, consisting of the Outstanding Bonds and the Bonds, will be \$7,570,000. See "THE BONDS."

Authorized But Unissued Bonds

\$41,305,000 for waterworks, wastewater, and drainage facilities (after issuance of the Bonds) and \$32,250,000 for refunding purposes. See "THE BONDS - Issuance of Additional Debt." In addition to the water distribution, wastewater collection and storm drainage/detention facilities, Impact Fees and other items that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "THE SYSTEM."

Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE.”
Municipal Bond Ratings	S&P Global Ratings (AGM insured) “AA” (stable outlook). Moody’s Investors Service (AGM insured) “A2” (stable outlook). Moody’s Investors Service (Underlying) “A2” (stable outlook). See “BOND INSURANCE” and “RATINGS.”
Bond Counsel	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax Exempt Obligations - Purchase of the Bonds by Financial Institutions.”

THE DISTRICT

Description	<p>The District is a political subdivision of the State of Texas, created by Order of the TCEQ on June 28, 2004. The District contains approximately 161.95 acres of land. The District is located entirely within Harris County, Texas, and entirely within the corporate boundaries of the City of Houston, Texas (the “City”), approximately 12 miles southwest of the central business district of the City. The District is comprised of five tracts. Tract One is generally bounded on the east by State Highway 288, on the west by Almeda Road, and on the south by Almeda-Genoa Road. Tracts Two, Three, Four and Five are generally bounded on the south by East Orem Drive, on the west by Webercrest Road, and on the east by Martindale Road. The District lies wholly within the Houston Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”</p>
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The District obtains water, sewer and drainage service from the City. The District operates subject to a “Utility Functions and Services Allocation Agreement” dated March 2, 2005, and assigned to the District on April 8, 2005 (hereinafter referred to as the “Utility Agreement”). Under the terms of the Utility Agreement, the District agrees to develop a water distribution system, sanitary sewer collection system and a drainage system (the “System”) to serve the area within the District. In consideration of the District's acquiring and constructing the System, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District. The City collects all water and sewer revenues from residents in the District. See “THE SYSTEM.”

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, as amended. See “THE DISTRICT - General.”

Development and Home Construction

As of January 1, 2019, 897 single-family homes have been constructed on all 897 single-family residential lots that have been developed in the District. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve such total of 897 fully developed single-family residential lots on approximately 161.4 total acres, which comprise all but approximately 2.3 acres of the developable land in the District, as follows: (i) 635 single-family residential lots located in the subdivisions that have been platted as Regal Oaks, Sections 1 through 5 (a total of approximately 110.5 acres), on all of which lots homes have been built and conveyed to home purchasers, and (ii) 262 single-family residential lots in the subdivisions that have been platted as Daybreak, Sections 1 through 5 (a total of approximately 52 acres, including approximately 4.1 acres that are expected to be used for a storm water detention pond), on all of which lots homes have been built by Camillo Properties (hereinafter defined), for the purpose of leasing such homes to tenants as is delineated in the chart that appears in this Official Statement in the section entitled “DEVELOPMENT AND HOME CONSTRUCTION.” The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. Camillo Properties owns approximately 2.3 currently undeveloped acres of land located within the District currently expected to be developed for single-family residential purposes. However, since neither Camillo Properties nor any other party has any obligation to the District to undertake the development of any of such currently undeveloped land located within the District according to any particular timetable or at all, the District cannot represent that the development thereof will be undertaken. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “PRINCIPAL LAND OWNER,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2018 Taxpayers.”

The balance of the acres located within the District are contained within street and/or drainage easements, rights-of-way, lakes and storm water detention ponds, or are otherwise not available for development, including acres that are located within the platted areas of some of the aforementioned subdivisions.

The District has financed its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage/detention facilities that serve Regal Oaks, Sections 1 through 5, a wastewater trunk line that serves Regal Oaks, Section 4, land acquisition and

construction costs for the Regal Oaks detention pond and other facilities, Impact Fees to the City of Houston and other items with portions of the proceeds of the sale of the Prior Bonds and surplus operating funds. The District is financing its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage/detention facilities that serve Daybreak, Sections 3 through 5, and other facilities, with portions of the proceeds of the sale of the Bonds. The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt” and “THE SYSTEM.”

Principal Land Owner

The owner of approximately 52 acres of land located within the District that have been developed as Daybreak, Section 1 (approximately 5.9 acres, 31 single-family residential lots), Daybreak, Section 2 (approximately 11.5 acres, 60 single-family residential lots), Daybreak, Section 3 (approximately 7.5 acres, 41 single-family residential lots), Daybreak, Section 4 (approximately 5.9 acres, 30 single-family residential lots), and Daybreak, Section 5 (approximately 20.2 acres, 100 single-family residential lots, including approximately 4.1 acres that are expected to be used for a storm water detention pond) is Camillo Properties, LTD. (“Camillo Properties”), whose general partner is Camillo Properties GP., a Texas Corporation. Camillo Properties has constructed homes on all of such lots in Daybreak, Sections 1 through 5 for the purpose of leasing such homes to tenants. See “DEVELOPMENT AND HOME CONSTRUCTION.” Camillo Properties also owns approximately 2.3 currently undeveloped acres of land located within the District, which comprises the remaining developable land located within the District, that are currently expected to be developed for single-family residential purposes. However, since neither Camillo Properties nor any other party has any obligation to the District to undertake the development of any of such currently undeveloped land located within the District according to any particular timetable or at all, the District cannot represent that the development thereof will be undertaken. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “PRINCIPAL LAND OWNER,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2018 Taxpayers.”

RISK FACTORS

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

2018 Assessed Valuation	\$103,647,051(a)
(As of January 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at January 1, 2019	\$114,091,983(b)
(As of January 1, 2019)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt: Outstanding Bonds	\$ 4,840,000(c)
The Bonds	<u>2,730,000(c)</u>
Total	\$ 7,570,000
Estimated Overlapping Debt	<u>\$ 4,504,491</u>
Direct and Estimated Overlapping Debt	<u>\$ 12,074,491(c)</u>
Direct Debt Ratios	
: as a percentage of 2018 Assessed Valuation	7.30%
: as a percentage of Estimated Valuation at January 1, 2019	6.63%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2018 Assessed Valuation	11.65%
: as a percentage of Estimated Valuation at January 1, 2019	10.58%
Debt Service Fund Balance As of January 9, 2019	\$ 428,486(d)
General Fund Balance As of January 9, 2019	\$ 1,364,912
2018 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax	\$0.50
Maintenance Tax	<u>0.16</u>
Total	\$0.66(e)
Average Percentage of Tax Collections (2008-2017) as of December 31, 2018	99.94%(e)
Percentage of Total Tax Collections 2018 Levy (As of December 31, 2018. In process of collection.)	54.68%(e)
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2019-2035)	\$ 496,778
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2035)	\$ 511,625
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2019-2035) at 95% Tax Collections	
Based Upon 2018 Assessed Valuation	\$0.51(c)(e)
Based Upon Estimated Valuation at January 1, 2019	\$0.46(c)(e)

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum	
Annual Debt Service Requirement of the Bonds and the	
Outstanding Bonds (2035) at 95% Tax Collections	
Based Upon 2018 Assessed Valuation	\$0.52(c)(e)
Based Upon Estimated Valuation at January 1, 2019	\$0.48(c)(e)
Number of Single Family Residences as of January 1, 2019	897

- (a) As of January 1, 2018. All property 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 \$60,017, which total is included in the amount of \$103,647,051. The Appraisal District has proposed the valuation of such protested properties to be \$60,087. 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 \$195,431, which total is also included in the amount of \$103,647,051. 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 "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2019, and includes an estimate of values resulting from the development and construction of taxable improvements from January 1, 2018, through December 31, 2018. The valuation of such additional improvements constructed from January 1, 2018, through December 31, 2018, which will be included in the District's 2019 tax roll, may vary significantly from this estimate when the Appraisal Review Board certifies the value of District property for 2019. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT." In addition to the water distribution, wastewater collection and storm drainage/detention facilities, Impact Fees and other items that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "THE SYSTEM."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service payments on the Outstanding Bonds that were due in 2018. The initial debt service payment on the Bonds, consisting of a six-month interest payment thereon, is due on September 1, 2019.
- (e) The District has levied a debt service tax of \$0.50 per \$100 of assessed valuation plus a maintenance tax of \$0.16 per \$100 of assessed valuation for 2018. See "TAX DATA - Tax Rate Calculations." 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, including the District's 2018 tax rate, is \$3.190443. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but are within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable to the District's. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
UNLIMITED TAX BONDS
SERIES 2019**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 411 (the “District”) of its \$2,730,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”).

There follow in this Official Statement descriptions 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 of duplication thereof.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District’s Financial Advisor, Rathmann & Associates, L.P., 8485 Katy Freeway, Suite 250, Houston, Texas 77024.

The \$2,730,000 Harris County Municipal Utility District No. 411 Unlimited Tax Bonds, Series 2019, are dated March 1, 2019. Interest accrues from March 1, 2019, and is payable on September 1, 2019, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 each of the years and in the amounts shown under “MATURITY SCHEDULE” on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N. A., in Dallas, Texas, or any successor paying agent/registrars (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”).

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

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 each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

Use of Certain Terms in Other Sections of this Official Statement

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

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. 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 delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged 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. 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 business days after the receipt 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 for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to 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 (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). 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 Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

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

Authority for Issuance

At an election held within the District on February 5, 2005, the District authorized a total of \$50,000,000 bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$32,500,000 for refunding purposes. The Bonds constitute the fourth issuance of bonds from such authorization. The District has previously issued Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds") and Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds") for the purpose of acquiring and constructing its water supply and distribution, wastewater collection and treatment and storm drainage/detention system (the "System"). The District also has issued Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds") to refund outstanding bonds of the District. After sale of the Bonds, a total of \$41,305,000 principal amount of unlimited tax bonds for facilities and \$32,250,000 for refunding purposes will remain authorized but unissued. The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code (the "Water Code"), and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an Order of the Texas Commission on Environmental Quality (the "TCEQ").

Source of Payment

The Outstanding Bonds and 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 located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collection, and Registrar fees. Such proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Outstanding Bonds and the Bonds, and on additional bonds payable from taxes which may hereafter be issued, and Paying Agent/Registrar fees.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$50,000,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities, and could authorize additional amounts. Following the issuance of the Bonds, \$41,305,000 unlimited tax bonds will remain authorized but unissued. The District's voters also have authorized \$32,500,000 unlimited tax bonds for refunding purposes of which \$32,250,000 remain authorized and unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the water distribution, wastewater collection and storm drainage/detention facilities, Impact Fees and other items that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "RISK FACTORS - Future Debt" and "THE SYSTEM."

In the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the remaining \$41,305,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage facilities and services and to pay Impact Fees to the City of Houston related to the provision of water supply and wastewater treatment capacity by the City to the District to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue recreational facility bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of recreational facility bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue recreational facility 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 Board has not considered authorizing the preparation of a park plan or calling a recreational facility bond election at this time.

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Houston, Texas, the District may be dissolved by the City of Houston, without the District's consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City of Houston must assume the District's assets and obligations (including the Bonds) and abolish the District within 90 days of the date of dissolution. Dissolution of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston; therefore, the District makes no representation that the City of Houston will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should dissolution occur.

Consolidation

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

Registered Owners' Remedies

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

Except for the remedy of mandamus, the Bond Resolution 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. In addition any legal action taken to seek any such remedies may be limited by the doctrine of sovereign immunity. 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. If the Registered Owners obtain a judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. 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. Under Texas law, 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 will authorize the District to proceed only if the TCEQ determines that 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. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) make payment for the cost of acquisition or construction for a Daybreak detention pond, lift station and detention pond land, and underground water distribution, wastewater collection and storm drainage facilities that serve Daybreak, Sections 3 through 5; (ii) pay engineering fees associated with the foregoing projects; (iii) pay interest on advances that have been made on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, fees to the TCEQ and the Attorney General of Texas, certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its Bond Anticipation Note, Series 2018 (the “BAN”), including payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds.

Construction Costs

District Share

A. Developer Contribution Items (a)	
1. Daybreak Detention Pond	\$ 365,115
2. Daybreak, Section 3 Water, Wastewater and Drainage	336,676
3. Daybreak, Section 4 Water, Wastewater and Drainage	388,365
4. Daybreak, Section 5 Water, Wastewater and Drainage	615,000
5. Engineering	<u>354,535</u>
Total Developer Contribution Items	\$2,059,691

B. District Items

1. Lift Station and Detention Pond Land Costs	\$ <u>166,370</u>
TOTAL CONSTRUCTION COSTS	\$ 2,226,061

Non-Construction Costs

1. Legal Fees	\$ 81,900
2. Fiscal Agent Fees	54,600
3. Interest	
a. Developer Interest (b)	132,644
a. Bond Anticipation Note Interest	36,407
4. Bond Discount	75,595
5. Bond Issuance Expenses	37,207
5. Bond Anticipation Note Issuance Expenses	29,727
7. Bond Application Report Costs	40,000
8. Attorney General Fee	2,730
9. TCEQ Bond Issuance Fee	6,825
10. Contingency (c)	<u>6,305</u>
TOTAL NON-CONSTRUCTION COSTS	\$ <u>503,939</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$2,730,000</u>

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- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of 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 Order authorizing the District to issue the Bonds.
 - (b) Represents interest owed on advances of construction costs and engineering fees and operating expenses made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party that has made such advances has borrowed funds.
 - (c) Represents surplus funds resulting from the difference between estimated and actual Bond Discount. The use of these funds is subject to approval by the TCEQ.

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 reimburse the Developers for the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability 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 representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source of Payment" and "Registered Owners' Remedies."

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 the single-family residential lots that have been developed within the District and of the single-family homes that have been constructed on such lots. The market value of such lots and homes is related to general economic conditions affecting the demand for homes. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and cost and the prosperity and demographic characteristics of the urban area toward which the marketing of lots and homes is directed. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. Decreased levels of home construction activity would restrict the growth of property values in the District. 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 described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "PRINCIPAL LAND OWNER," as of January 1, 2019, (i) the development of 897 single-family residential lots on approximately 161.4 acres was complete within the District, comprising all but approximately 2.3 acres of the developable land located within the District; (ii) the District contained 897 single-family homes, 635 of which have been built and conveyed to home purchasers, and 262 of such single-family homes are owned by Camillo Properties, which has constructed homes on such lots for the purpose of leasing such homes to tenants, the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes.

National Economy: There has been a significant downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "PRINCIPAL LAND OWNER," as of January 1, 2019, (i) the development of 897 single-family residential lots on approximately 161.4 acres was complete within the District, comprising all but approximately 2.3 acres of the developable land located within the District; (ii) the District contained 897 single-family homes, 635 of which have been built and conveyed to home purchasers, and 262 of such single-family homes are owned by Camillo Properties, which has constructed homes on such lots for the purpose of leasing such homes to tenants. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. The District cannot predict what impact, if any, 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 mortgages and development funding have a direct impact on development and homebuilding activity, 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. 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. 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 the development of the remaining approximately 2.3 acres of developable land located within the District and/or home construction thereon. In addition, since the District is located in 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 continued downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

Landowner Obligation to the District: Camillo Properties, Ltd. (described in this Official Statement under the caption "PRINCIPAL LAND OWNER") owns 262 single-family residential lots located within the District that have been developed as Daybreak, Sections 1 through 5. Camillo Properties has constructed homes on all of such lots in Daybreak, Sections 1 through 5 for the purpose of leasing such homes to tenants. Camillo Properties also owns approximately 2.3 currently undeveloped acres of land located within the District, comprising the remainder of the developable land located within the District, that are currently expected to be developed for single-family residential purposes. To the extent that Camillo Properties continues to construct homes within the District for the purpose of leasing such homes to tenants, and to the extent that the ownership of such homes is concentrated in Camillo Properties and/or related entities, the proportion of the District's tax roll owned by Camillo Properties will increase, and such entity(ies) will continue to be significant District taxpayers. See "TAX DATA - Principal 2018 Taxpayers." The ability of Camillo Properties or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of Camillo Properties or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of Camillo Properties or any other home building company 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 in the District. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. See "PRINCIPAL LAND OWNER," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2018 Taxpayers."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2018 Assessed Valuation is \$103,647,051. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$511,625 (2035) and the Average Annual Debt Service Requirements will be \$496,778 (2019 through 2035, inclusive). Assuming no increase to nor decrease from the 2018 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.52 and \$0.51 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. Moreover, the Estimated Valuation at January 1, 2019, of property located within the District supplied by the Appraisal District is \$114,091,983. Assuming no increase to nor decrease from the Estimated Valuation at January 1, 2019, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.48 and \$0.46 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.

The District has levied a debt service tax of \$0.50 per \$100 of Assessed Valuation plus a maintenance tax of \$0.16 per \$100 of Assessed Valuation for 2018. The 2018 debt service rate will be sufficient to pay debt service on the Bonds and the Outstanding Bonds, given taxable values in the District at the level of the Estimated Valuation at January 1, 2019, assuming a tax collection rate of 95%, no use of other legally available District funds, and the issuance of no additional bonds by the District. As is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," as of December 31, 2018, the District has collected an average of 99.94% of its tax for the period 2008 through 2017, and its 2018 tax levy was 54.68% collected as of such date. Moreover, the District's Debt Service Fund balance is \$428,486 as of January 9, 2019. Although neither Texas law nor the Bond Resolution requires 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 FINANCIAL REPORT." Therefore, the District expects to be able to pay debt service on the Outstanding Bonds and the Bonds without increasing its debt service tax above the \$0.50 per \$100 of Assessed Valuation debt service tax that the District has levied for 2018. 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. See "TAX PROCEDURES." In addition to the components of the System, Impact Fees and other items the District has financed with portions of the proceeds of the Prior Bonds and surplus operating funds, the District expects to finance its cost of acquiring or constructing additional components of the System and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt," and "THE SYSTEM." As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$3.190443 per \$100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District 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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem the property within two (2) years of foreclosure. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$41,305,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$32,250,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. In addition to the water distribution, wastewater collection and storm drainage/detention facilities, Impact Fees and other items that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District will finance the acquisition or construction of additional water distribution, wastewater collection and storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with the proceeds of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt."

The District's Engineer currently estimates that the aforementioned remaining \$41,305,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities and to pay Impact Fees to the City of Houston related to the provision of water supply and wastewater treatment to the District by the City to provide service to all of the currently undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT" and "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

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

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

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.

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston metropolitan area is very competitive, and the District can give no assurance that the building program which may be planned on the aforementioned approximately 2.3 acres owned by Camillo Properties, which has constructed homes within the District for the purpose of leasing such homes to tenants, or any future home builder(s) will be undertaken. The respective competitive positions of Camillo Properties (see "PRINCIPAL LAND OWNER" and "DEVELOPER"), and any other developer(s) which might attempt future development projects in the District or Camillo Properties or any other home builder(s) which might attempt future home building projects in the District in the construction and sale or rental of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. As is stated above, the District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, 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."

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.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

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. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

Changes in Tax Legislation

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

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.

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated June 28, 2004, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies totally within the corporate limits of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is authorized, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also authorized to establish, operate and maintain recreational facilities and fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The District is required to observe certain requirements of the City of Houston, which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston, and filed in the real property records of Harris County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Utility Agreement

The District is located totally within the corporate limits of the City of Houston (the "City") and obtains water, sewer and drainage service from the City. The District operates subject to a "Utility Functions and Services Allocation Agreement" dated March 2, 2005, and assigned to the District on April 8, 2005 (hereinafter referred to as the "Utility Agreement"). Under the terms of the Utility Agreement, the District agreed to develop a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the area within the District. In consideration of the District's acquiring and constructing the System, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District. See "THE SYSTEM."

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City. All revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City. The maintenance responsibilities of the City as defined in the Utility Agreement exclude maintenance of the District's storm water detention facilities. It is therefore the sole responsibility of the District to provide for maintenance and operation of the District's storm water detention facilities.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment. See “THE SYSTEM.”

In the Utility Agreement, the City has agreed to make an annual payment to the District consisting of that portion of the City property tax relating to water, sewer and drainage facilities in accordance with a formula set out in the Utility Agreement (the “Annual Payment”). The Annual Payment is due on April 1st in the year after the District has issued debt and is payable each April 1st thereafter. The District does not expect that the Annual Payment will materially affect the District’s financial position and has not pledged such payment as security for the Bonds.

Description

The District contains approximately 161.95 acres of land. The District is located entirely within Harris County, Texas, and entirely within the corporate boundaries of the City of Houston, Texas (the “City”), approximately 12 miles southwest of the central business district of the City. The District is comprised of five tracts. Tract One is generally bounded on the east by State Highway 288, on the west by Almeda Road, and on the south by Almeda-Genoa Road. Tracts Two, Three, Four and Five are generally bounded on the south by East Orem Drive, on the west by Webercrest Road, and on the east by Martindale Road. The District lies wholly within the Houston Independent School District. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. None of the Directors currently resides within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
James Vick	President	2020
Stanley Pace	Vice President	2020
Jeffrey Dean Tobin	Secretary	2022
Chad Griffin	Assistant Secretary	2022
C. Anderson Parker	Assistant Vice President	2022

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Thomas W. Lee of Assessments of the Southwest, Friendswood, Texas, as the District's Tax Assessor/Collector. According to Mr. Lee, he presently serves approximately 200 taxing units as tax assessor/collector. 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.

Consulting Engineers - The District has employed the firm of LJA Engineering, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of the System. In addition, various other engineers are engaged by the District in connection with the design and construction of portions of the System.

Bookkeeper - The District has engaged AVANTA Services as the District's Bookkeeper. According to AVANTA Services, it currently serves approximately 22 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's auditor for the 2018 fiscal year is McCall Gibson Sweedland Barfoot PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended July 31, 2018, is included as "APPENDIX B" to this Official Statement.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas ("Disclosure Counsel"), serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, 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/company_search.html.

DEVELOPMENT AND HOME CONSTRUCTION

As of January 1, 2019, 897 single-family homes have been constructed on all 897 single-family residential lots that have been developed in the District. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve such total of 897 fully developed single-family residential lots on approximately 161.4 total acres, which comprise all but approximately 2.3 acres of the developable land in the District, as follows: (i) 635 single-family residential lots located in the subdivisions that have been platted as Regal Oaks, Sections 1 through 5 (a total of approximately 110.5 acres), on all of which lots homes have been built and conveyed to home purchasers, and (ii) 262 single-family residential lots in the subdivisions that have been platted as Daybreak, Sections 1 through 5 (a total of approximately 52 acres, including approximately 4.1 acres that are expected to be used for a storm water detention pond), on all of which lots homes have been built by Camillo Properties (hereinafter defined), for the purpose of leasing such homes to tenants as is delineated in the chart that appears below. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. Camillo Properties owns approximately 2.3 currently undeveloped acres of land located within the District currently expected to be developed for single-family residential purposes. However, since neither Camillo Properties nor any other party has any obligation to the District to undertake the development of any of such currently undeveloped land located within the District according to any particular timetable or at all, the District cannot represent that the development thereof will be undertaken. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments," "PRINCIPAL LAND OWNER," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2018 Taxpayers."

The balance of the acres located within the District are contained within street and/or drainage easements, rights-of-way, lakes and storm water detention ponds, or are otherwise not available for development, including acres that are located within the platted areas of some of the aforementioned subdivisions.

The District has financed its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage/detention facilities that serve Regal Oaks, Sections 1 through 5, a wastewater trunk line that serves Regal Oaks, Section 4, land acquisition and construction costs for the Regal Oaks detention pond and other facilities, Impact Fees to the City of Houston and other items with portions of the proceeds of the sale of the Prior Bonds and surplus operating funds. The District is financing its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage/detention facilities that serve Daybreak, Sections 3 through 5, and other facilities, with portions of the proceeds of the sale of the Bonds. The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt” and “THE SYSTEM.”

As of January 1, 2019, the status of lot development and home construction within the District was as follows:

Subdivision	Lots				Homes				Totals
	Developed	Acres	Under		Under Construction		Completed		
			Development	Acres	Sold	Or Rental	Sold	Or Rental	
Regal Oaks									
Section 1	160	37.4			0	0	160	0	160
Section 2	117	18.5			0	0	117	0	117
Section 3	100	14.0			0	0	100	0	100
Section 4	122	19.3			0	0	122	0	122
Section 5	136	21.3			0	0	136	0	136
Daybreak									
Section 1*	31	5.9			0	0	0	31	31
Section 2*	60	11.5			0	0	0	60	60
Section 3*	41	7.5			0	0	0	41	41
Section 4*	30	5.9			0	0	0	30	30
Section 5*	<u>100</u>	<u>20.2</u>			<u>0</u>	<u>0</u>	<u>0</u>	<u>100</u>	<u>100</u>
TOTALS	897	161.4	0	0	0	0	635	262	897

* Camillo Properties has constructed such homes for the sole purpose of leasing such homes to tenants.

PRINCIPAL LAND OWNER

General

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 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 Order authorizing the District to issue the Bonds. The relative success or failure of a developer 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 is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

The owner of approximately 52 acres of land located within the District that have been developed as Daybreak, Section 1 (approximately 5.9 acres, 31 single-family residential lots), Daybreak, Section 2 (approximately 11.5 acres, 60 single-family residential lots), Daybreak, Section 3 (approximately 7.5 acres, 41 single-family residential lots), Daybreak, Section 4 (approximately 5.9 acres, 30 single-family residential lots), and Daybreak, Section 5 (approximately 20.2 acres, 100 single-family residential lots, including approximately 4.1 acres that are expected to be used for a storm water detention pond) is Camillo Properties, LTD. ("Camillo Properties"), whose general partner is Camillo Properties GP., a Texas Corporation. Camillo Properties has constructed homes on all of such lots in Daybreak, Sections 1 through 5 for the purpose of leasing such homes to tenants. See "DEVELOPMENT AND HOME CONSTRUCTION." Camillo Properties also owns approximately 2.3 currently undeveloped acres of land located within the District, which comprises the remaining developable land located within the District, that are currently expected to be developed for single-family residential purposes. However, since neither Camillo Properties nor any other party has any obligation to the District to undertake the development of any of such currently undeveloped land located within the District according to any particular timetable or at all, the District cannot represent that the development thereof will be undertaken. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes.

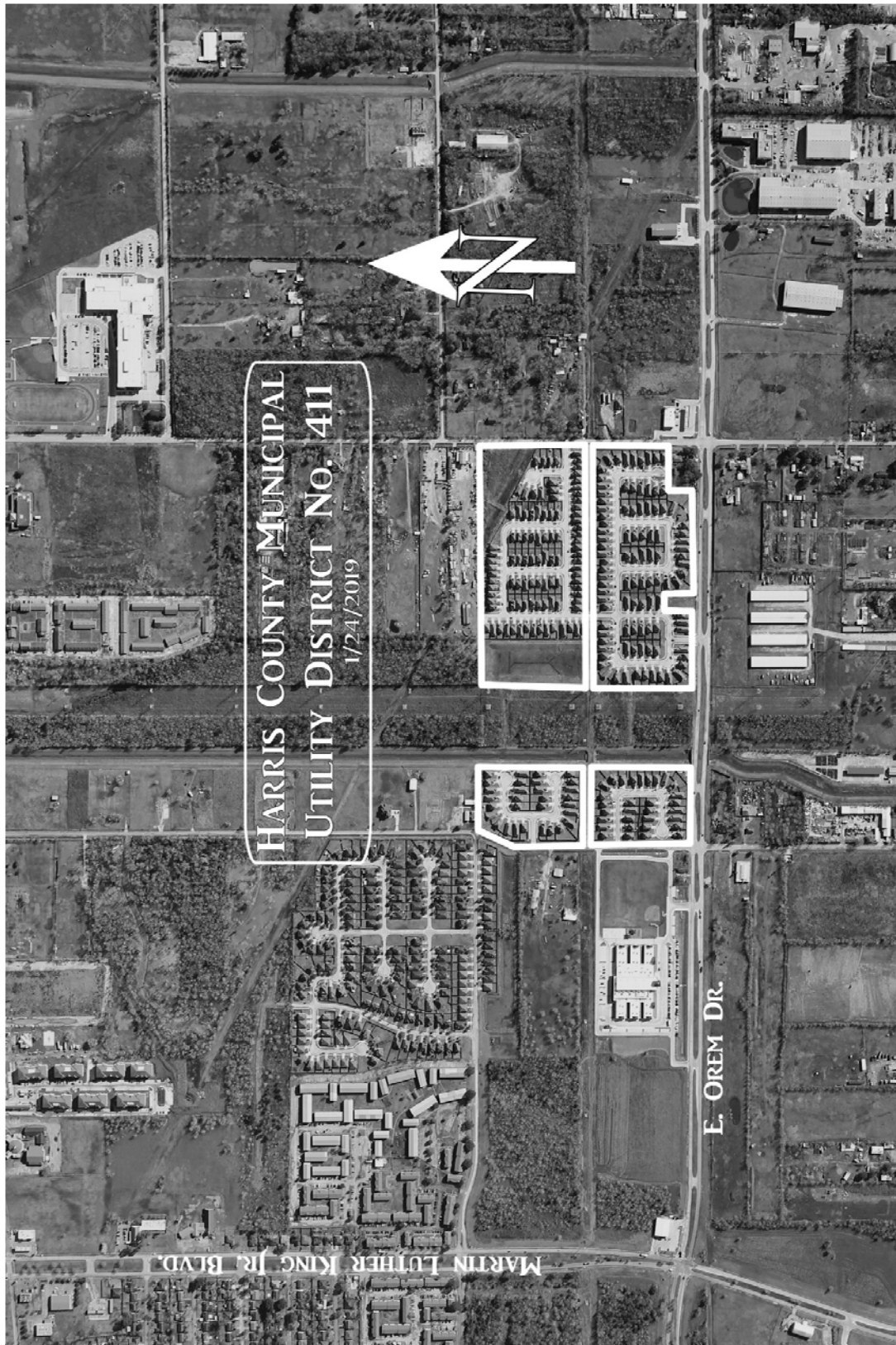
FUTURE DEVELOPMENT

As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," the development of approximately 161.4 acres of land located within the District into 897 single-family residential lots has been completed, 635 of which have been built and conveyed to home purchasers, and 262 of such single-family homes are owned by Camillo Properties, which has constructed homes on such lots for the purpose of leasing such homes to tenants. Camillo Properties owns approximately 2.3 currently undeveloped acres of land located within the District that are currently expected to be developed for single-family residential purposes. However, since neither Camillo Properties nor any other party has any obligation to the District to undertake the development of such currently undeveloped land located within the District according to any particular timetable or at all, the District cannot represent that the development thereof will be undertaken. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and storm water detention ponds, or is otherwise not available for future development, including acres that are located within the platted areas of some of the aforementioned subdivisions.

If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to provide service to such undeveloped acreage and the payment of Impact Fees to the City of Houston related to the provision of water supply and wastewater treatment by the City to the District may be financed by future issues of the District's bonds. The District has financed its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage facilities that serve Regal Oaks, Sections 1 through 5, a wastewater trunk line that serves Regal Oaks, Section 4, land acquisition and construction costs for the Regal Oaks detention pond and other facilities, Impact Fees to the City of Houston and other items with portions of the proceeds of the sale of the Prior Bonds and surplus operating funds. The District is financing its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage/detention facilities that serve Daybreak, Sections 3 through 5, and other facilities, with portions of the proceeds of the sale of the Bonds. The District expects to finance the cost of acquisition or construction of additional water distribution, wastewater collection and storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "THE SYSTEM."

In the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the \$41,305,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage facilities and services and to pay Impact Fees to the City of Houston related to the provision of water supply and wastewater treatment capacity by the City to the District to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT
(taken January 2019)



AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT
(taken January 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2019)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule 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 9-1)</u>	<u>Interest</u>	
2019	\$ 388,494		\$ 51,063	\$ 439,557
2020	388,844		102,125	490,969
2021	394,094		102,125	496,219
2022	392,219		102,125	494,344
2023	395,069		102,125	497,194
2024	397,494		102,125	499,619
2025	394,494		102,125	496,619
2026	400,869		102,125	502,994
2027	396,319		102,125	498,444
2028	401,256		102,125	503,381
2029	400,006		102,125	502,131
2030	398,363		102,125	500,488
2031	401,288		102,125	503,413
2032	397,950		102,125	500,075
2033	399,150		102,125	501,275
2034	404,750		102,125	506,875
2035	409,500		102,125	511,625
2036		\$ 325,000	102,125	427,125
2037		350,000	90,750	440,750
2038		375,000	78,500	453,500
2039		400,000	63,500	463,500
2040		400,000	47,500	447,500
2041		425,000	33,000	458,000
2042		455,000	17,063	472,063
	<u>\$6,760,159</u>	<u>\$2,730,000</u>	<u>\$2,117,501</u>	<u>\$11,607,660</u>

Average Annual Requirements (2019-2035) \$ 496,778
 Maximum Annual Requirement (2035) \$ 511,625

Bonded Indebtedness

2018 Assessed Valuation		\$103,647,051(a)
(As of January 1, 2018)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation at January 1, 2019		\$114,091,983(b)
(As of January 1, 2019)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt: Outstanding Bonds		\$ 4,840,000(c)
The Bonds		<u>2,730,000(c)</u>
Total		\$ 7,570,000
Estimated Overlapping Debt		<u>\$ 4,504,491</u>
Direct and Estimated Overlapping Debt		<u>\$ 12,074,491(c)</u>
Direct Debt Ratios		
: as a percentage of 2018 Assessed Valuation		7.30%
: as a percentage of Estimated Valuation at January 1, 2019		6.63%
Direct and Estimated Overlapping Debt Ratios		
: as a percentage of 2018 Assessed Valuation		11.65%
: as a percentage of Estimated Valuation at January 1, 2019		10.58%
Debt Service Fund Balance As of January 9, 2019		\$ 428,486(d)
General Fund Balance As of January 9, 2019		\$ 1,364,912
2018 Tax Rate Per \$100 of Assessed Valuation		
Debt Service Tax	\$0.50	
Maintenance Tax	<u>0.16</u>	
Total		\$0.66(e)

(a) As of January 1, 2018. All property 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 \$60,017, which total is included in the amount of \$103,647,051. The Appraisal District has proposed the valuation of such protested properties to be \$60,087. 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 \$195,431, which total is also included in the amount of \$103,647,051. 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 "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2019, and includes an estimate of values resulting from the development and construction of taxable improvements from January 1, 2018, through December 31, 2018. The valuation of such additional improvements constructed from January 1, 2018, through December 31, 2018, which will be included in the District's 2019 tax roll, may vary significantly from this estimate when the Appraisal Review Board certifies the value of District property for 2019. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT." In addition to the water distribution, wastewater collection and storm drainage/detention facilities, Impact Fees and other items that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "THE SYSTEM."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service payments on the Outstanding Bonds that were due in 2018. The initial debt service payment on the Bonds, consisting of a six-month interest payment thereon, is due on September 1, 2019.
- (e) The District has levied a debt service tax of \$0.50 per \$100 of assessed valuation plus a maintenance tax of \$0.16 per \$100 of assessed valuation for 2018. See "TAX DATA - Tax Rate Calculations." 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, including the District's 2018 tax rate, is \$3.190443. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but are within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable to the District's. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of December 1, 2018</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County *	\$2,050,758,022	0.02305%	\$ 472,742
Harris County Department of Education	6,555,000	0.02305	1,511
Harris County Hospital District	59,490,000	0.02305	13,714
Harris County Flood Control District	83,075,000	0.02305	19,150
Port of Houston Authority	593,754,397	0.02305	136,873
City of Houston	3,787,020,000	0.04483	1,697,903
Houston Independent School District	3,151,430,000	0.05894	1,857,503
Houston Community College	580,635,000	0.05255	<u>305,095</u>
Total Estimated Overlapping Debt			\$4,504,491
The District (the Bonds and the Outstanding Bonds)			<u>7,570,000</u>
Total Direct & Estimated Overlapping Debt			\$12,074,491

* Harris County Toll Road bonds are considered to be self-supporting, and are excluded from this schedule.

Debt Ratios

	<u>% of 2018 Assessed Valuation</u>	<u>% of Estimated Valuation at January 1, 2019</u>
Direct Debt	7.30%	6.63%
Direct and Estimated Overlapping Debt	11.65%	10.58%

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 Outstanding Bonds and the Bonds (see "TAX PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted 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 (see "THE BONDS" and "RISK FACTORS"). The District has levied a tax for debt service for 2018 at a rate of \$0.50 per \$100 assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On February 5, 2005, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax as cited below under the heading "Tax Rate Distribution." The District has levied a maintenance tax for 2018 of \$0.16 per \$100 of assessed valuation.

Historical Values and Tax Collection History

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ending 9/30</u>
2008	\$57,459,179	\$0.96	\$551,608	100.00%	2009
2009	48,196,912	0.96	462,690	100.00	2010
2010	47,092,235	0.96	452,085	100.00	2011
2011	52,704,499	0.96	505,963	100.00	2012
2012	55,258,695	0.96	530,483	100.00	2013
2013	59,049,840	0.96	566,878	100.00	2014
2014	63,365,430	0.90	570,288	99.90	2015
2015	74,600,793	0.80	596,806	99.88	2016
2016	83,174,581	0.75	623,809	99.89	2017
2017	94,893,757	0.70	664,256	99.68	2018
2018	103,647,051(c)	0.66(d)	684,071	54.68(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 December 31, 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 \$60,017, which total is included in the amount of \$103,647,051. The Appraisal District has proposed the valuation of such protested properties to be \$60,087. 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 \$195,431, which total is also included in the amount of \$103,647,051. 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.

(d) As of December 31, 2018. The District has levied a debt service tax of \$0.50 per \$100 of assessed valuation plus a maintenance tax of \$0.16 per \$100 of assessed valuation in November 2018.

Tax Rate Distribution

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Service	\$0.50	\$0.44	\$0.44	\$0.54	\$0.55
Maintenance	<u>0.16</u>	<u>0.26</u>	<u>0.31</u>	<u>0.26</u>	<u>0.35</u>
Total	\$0.66	\$0.70	\$0.75	\$0.80	0.90

Analysis of Tax Base

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

Property Valuation	Assessed Valuation					
	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>2016</u>	<u>%</u>
Land	\$15,207,430	14.67%	\$14,488,915	15.27%	\$13,858,344	16.66%
Improvements	91,653,886	88.43	86,458,516	91.11	77,004,547	92.58
Personal Property	941,485	0.91	1,008,850	1.06	911,240	1.10
Uncertified	255,448	0.25	0	0.00	0	0.00
Exemptions	<u>(4,411,198)</u>	<u>(4.26)</u>	<u>(7,062,524)</u>	<u>(7.44)</u>	<u>(8,599,550)</u>	<u>(10.34)</u>
Total Valuations	\$103,647,051*	100.00%	\$94,893,757	100.00%	\$83,174,581	100.00%

Property Valuation	Assessed Valuation			
	<u>2015</u>	<u>%</u>	<u>2014</u>	<u>%</u>
Land	\$14,101,924	18.90%	\$12,847,368	20.28%
Improvements	60,554,374	81.17	50,521,209	79.73
Personal Property	930,547	1.25	774,338	1.22
Exemptions	<u>(986,052)</u>	<u>(1.32)</u>	<u>(777,485)</u>	<u>(1.23)</u>
Total Valuations	\$74,600,793	100.00%	\$63,365,430	100.00%

* 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 \$60,017, which total is included in the amount of \$103,647,051. The Appraisal District has proposed the valuation of such protested properties to be \$60,087. 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 \$195,431, which total is also included in the amount of \$103,647,051. 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 Taxpayers

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.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2018 Tax Roll</u>	<u>% of 2018 Tax Roll</u>
Camillo A-1 Property Owner LLC (i)	Lots and Houses	\$ 13,291,303	12.82%
Camillo Houses CV 1 LLC (i)	Lots and Houses	2,905,599	2.80
Cerberus SFR Holdings LP	Lots and Houses	568,388	0.55
Centerpoint Energy Houston Electric (ii)	Personal Property	531,210	0.51
AVM Properties LLC	Lots and Houses	484,833	0.47
Progress Residential 2015-3 (iii)	Lots and Houses	464,768	0.45
Progress Residential 2015-2 Borrower (iii)	Lots and Houses	386,809	0.37
Centerpoint Energy Entex (ii)	Personal Property	312,210	0.30
Homeowner	Lots and Houses	282,000	0.27
Homeowner	Lots and Houses	<u>279,945</u>	<u>0.27</u>
		\$19,507,065	18.82%

- (i) Related parties.
- (ii) Related parties.
- (iii) Related parties.

Exemptions

The District has not adopted a residential homestead exemption for persons 65 years or older or disabled persons, and has not granted a general residential homestead exemption. See "TAX PROCEDURES."

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's tax base occurs beyond the 2018 Assessed Valuation or the Estimated Valuation at January 1, 2019. The calculations assume collection of 95% of taxes levied, no use of other legally available District funds, and the sale of no bonds by the District except the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements (2019-2035)	\$496,778
Tax Rate of \$0.51 on the 2018 Assessed Valuation (\$103,647,051) produces	\$502,170
Tax Rate of \$0.46 on the Estimated Valuation at January 1, 2019 (\$114,091,983) produces	\$498,582
Maximum Annual Debt Service Requirement (2035)	\$511,625
Tax Rate of \$0.52 on the 2018 Assessed Valuation (\$103,647,051) produces	\$512,016
Tax Rate of \$0.48 on the Estimated Valuation at January 1, 2019 (\$114,091,983) produces	\$520,259

The District has levied a debt service tax of \$0.50 per \$100 of Assessed Valuation in 2018, plus a maintenance tax of \$0.16 per \$100 of Assessed Valuation. As the above table indicates, the 2018 debt service rate will be sufficient to pay debt service on the Bonds and the Outstanding Bonds, given taxable values in the District at the level of the Estimated Valuation at January 1, 2019, assuming a tax collection rate of 95%, no use of other legally available District funds, and the issuance of no additional bonds by the District. As is illustrated in this Official Statement under the caption “TAX DATA - Historical Values and Tax Collection History,” as of December 31, 2018, the District has collected an average of 99.94% of its tax for the period 2008 through 2017, and its 2018 tax levy was 54.68% collected as of such date. Moreover, the District's Debt Service Fund balance is \$428,486 as of January 9, 2019. Although neither Texas law nor the Bond Resolution requires 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 FINANCIAL REPORT.” Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2018 - \$0.50 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. See “TAX PROCEDURES” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.” In addition to the water distribution, wastewater collection and storm drainage/detention facilities, Impact Fees and other items that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt” and “THE SYSTEM.”

Estimated Overlapping Taxes

Property 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, including the District’s 2018 tax rate. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make 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>
Harris County	0.418580
Harris County Department of Education	0.005190
Harris County Hospital District	0.171080
Harris County Flood Control District	0.028770
Port of Houston Authority	0.011550
City of Houston	0.588310
Houston Independent School District	1.206700
Houston Community College District	0.100263
The District*	<u>0.660000*</u>
 TOTAL TAX RATE	 \$3.190443

* The District has levied a debt service tax of \$0.50 per \$100 of assessed valuation plus a maintenance tax of \$0.16 per \$100 of assessed valuation for 2018.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing values established by the appraisal district. The Harris County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, is used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. 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 preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on 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. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA - Exemptions."

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

Tax Abatement

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

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

The Property Tax Code 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.

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 District tax bill on the average residence homestead increases by more than eight percent over the previous year. If a rollback election is called and passes, the rollback tax rate is the District's current year's debt service and contract tax rates plus 1.08 times the District's previous year's operation and maintenance tax rate. Thus, the District's debt service and contract tax rates cannot be changed by a rollback election.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an

additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Additional Penalties

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes.") A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law, whether or not the debt or lien existed before the attachment of the tax lien. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrict the collection of taxpayer debts. "See "RISK FACTORS - Tax Collection Limitations."

Reappraisal of Property after Disaster

The Property 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.

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.

THE SYSTEM

Regulation

According to the District's Engineer, the System has 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, the City of Houston, Harris County, and the Harris County Flood Control District.

The District is located totally within the corporate limits of the City of Houston (the "City") and obtains water, sewer and drainage service from the City. The District operates subject to a Utility Agreement (see "THE DISTRICT - Utility Agreement") to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the District. In consideration of the District's acquiring and constructing the System, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System.

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City. All revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment in consideration of the payment of Impact Fees. The City's current Impact Fee is \$1,905.94 per connection.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 161.95 acres is approximately 906 with a total estimated population of 2,715 people. The following descriptions are based upon information supplied by the District's Engineer, LJA Engineering, Inc. ("LJA").

Description

The System presently serves the 897 fully developed single-family residential lots located in Regal Oaks, Sections 1 through 5 and Daybreak, Sections 1 through 5 in the District as is enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District financed the cost of the acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities that serve Regal Oaks, Sections 1 through 5; a wastewater trunk line that serves Regal Oaks, Section 4; land acquisition and construction costs for the Regal Oaks detention pond; plus Impact Fees for approximately 270 connections and other items, with the proceeds of the sale of the Prior Bonds and surplus operating funds. The District is financing its costs of construction or acquisition of underground water distribution, wastewater collection and storm drainage/detention facilities that serve Daybreak, Sections 3 through 5, and other facilities, with portions of the proceeds of the sale of the Bonds. The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention

facilities and Impact Fees, including components of the System to serve Daybreak, Sections 1 and 2, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” and “RISK FACTORS - Future Debt.”

Water Supply

The Utility Agreement requires the City to provide the District with potable water. According to the District's Engineer, the City's facilities provide adequate water supply capacity to provide service to all connections in the District developed with the proceeds of the sale of the Bonds and the Prior Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to supply the District with water under the terms of the Utility Agreement.

Wastewater Treatment

Pursuant to the Utility Agreement, the City is required to receive and treat all wastewater from the District. According to the District's Engineer, the City will provide wastewater treatment for the District at the City's Almeda-Sims Regional Wastewater Treatment Plant. According to the District's Engineer, the City's facilities contain sufficient wastewater treatment capacity to provide service to all connections in the District developed with the proceeds of the sale of the Bonds and the Prior Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to treat the District's wastewater under the terms of the Utility Agreement.

Drainage Improvements

Storm drainage for the District is provided by an internal drainage network of underground storm drainage lines that outfall into, or is mitigated by a detention pond and discharges into a Harris County Flood Control District drainage channel and ultimately drains into Sims Bayou.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the District's Engineer, FEMA FIRM panel 48201C1010L effective June 18, 2007, shows that the Sims Bayou flood plain affects portions of Regal Oaks, Section 1. A Letter of Map Amendment ("LOMA") was submitted to FEMA to request the removal of the portion of Regal Oaks, Section 1 shown in the Sims Bayou flood plain based on inadvertent inclusion. The LOMA request was approved and became effective by a letter dated June 26, 2007. As a result of this approved LOMA, there were still 5 lots within Harris County MUD No. 411 located within the 100-year flood plain. An additional LOMA was submitted to FEMA to remove these 5 lots inadvertently shown within the Sims Bayou 100-year flood plain. The LOMA request was approved and became effective by a letter dated November 1, 2007. This letter amends the effective FIRM panel to remove those portions of Regal Oaks, Section 1 from the Special Flood Hazard Area ("SFHA") located on the effective FIRM; therefore, the Federal mandatory flood insurance requirement does not apply.

As a result of this approved LOMA, there are no lots within Harris County MUD No. 411 located within the current 100-year flood plain.

On April 4, 2018, the City of Houston (the “City”) adopted significant changes to Chapter 19 of the City’s Code or Ordinances which, among other things, provides the flood plain elevation requirements for development in the City. Prior to April 4, 2018, the slab (i.e., foundation) elevation for any new structure or any remodeled structure was required to be a minimum of 1 foot above the 100-year flood plain elevation at the point of development. Under the revised ordinance, the slab elevation for any new structure or any remodeled structure is required to be a minimum of 2 feet above the 500-year flood plain elevation at the point of development. Additionally, prior to April 4, 2018, a 1:1 cut-to-fill ration was required for placing fill in the 100-year flood plain, meaning that if a development required placing 1 cubic yard of dirt in the 100-year flood plain, the development would also have to cut 1 cubic yard from the 100-year flood plain in approximately the same location. While the revised ordinance does not change this rule as it relates to the 100-year flood plain, the revised ordinance does extend the rule to the 500-year flood plain, meaning that if a development requires placing 1 cubic yard of dirt in the 500-year flood plain, the development must also cut 1 cubic yard from the 500 year flood plain in approximately the same location. Prior to April 4, 2018, fill placed in the 500-year flood plain did not require mitigation or equal amounts of cut.

The changes described above could have a significant impact on development and homebuilding in the District. The District consists of approximately 162 acres located within the corporate limits of the City. Of such 162 acres, approximately no acres are currently located in the floodway. However, approximately 19.3 acres are currently located in the 500-year flood plain. While the difference in elevation between the 100-year flood plain and 500-year flood plain is typically approximately 1 foot in the greater Houston area, the elevation difference in the District is typically approximately 2.2 feet. Thus, homebuilding or remodeling on developed lots located in the 500-year flood plain in the District now presents challenges that did not exist prior to April 4, 2018.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under “TAX MATTERS.”

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for information under the subheadings - “Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), THE DISTRICT - Authority” and - “Management of the District - Bond Counsel and General Counsel,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton, L.L.P., Houston, Texas, as Disclosure Counsel.

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

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Initial Purchaser 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 subsequent to the date of sale 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

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2019 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2019.

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein obtained from sources other than the District. 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 financial statements for the fiscal year ended July 31, 2018, were audited McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has agreed to the publication of such financial statements in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE BONDS - Use and Distribution of Bond Proceeds,” “THE DISTRICT” and “THE SYSTEM” has been provided by LJA Engineering, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” was provided by Assessments of the Southwest and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; 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 Municipal Securities Rulemaking Board (the “MSRB”), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain 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 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 SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify any MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 411 as of the date shown on the first page hereof.

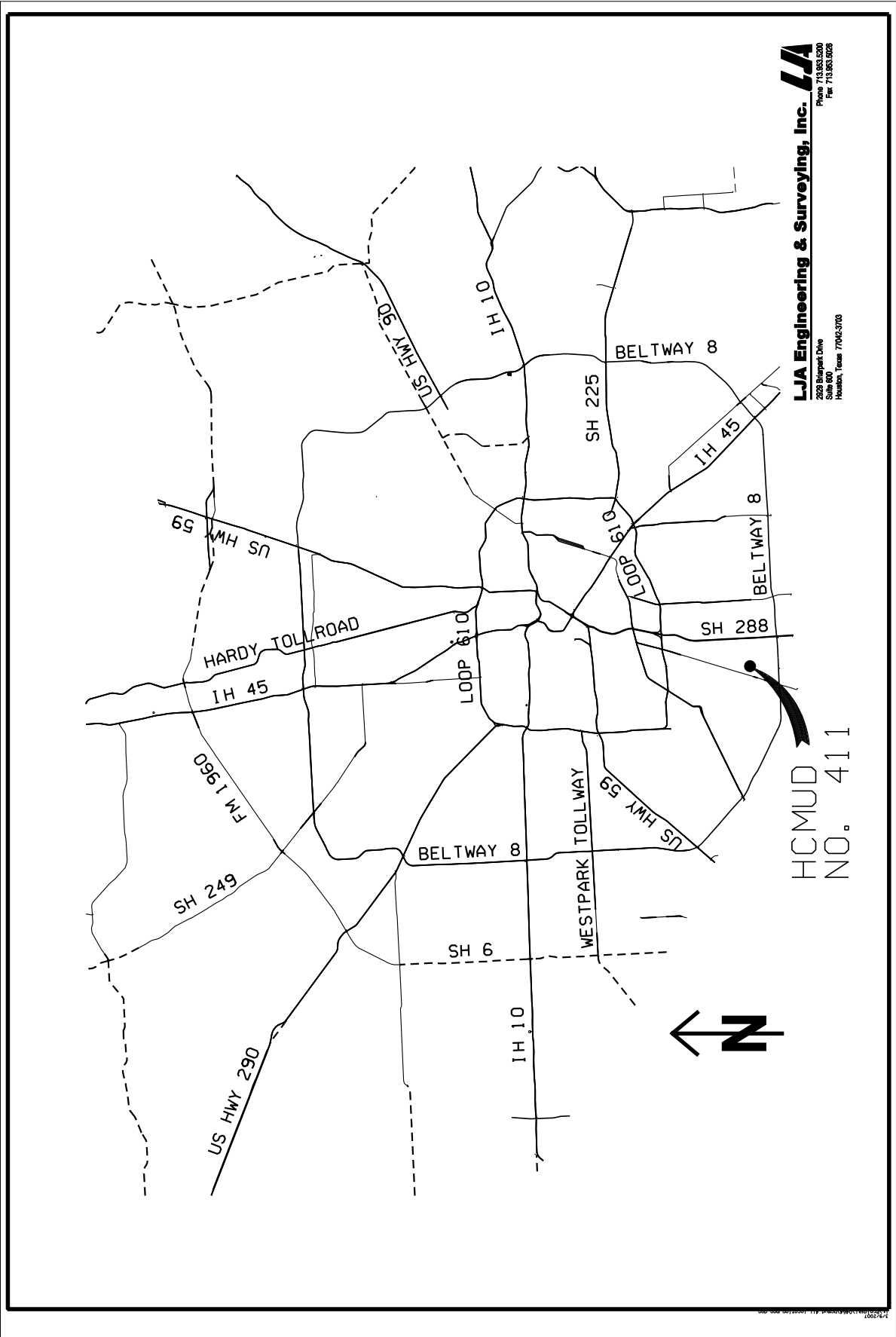
/s/ James Vick
President, Board of Directors
Harris County Municipal
Utility District No. 411

ATTEST:

/s/ Jeffrey Dean Tobin
Secretary, Board of Directors
Harris County Municipal
Utility District No. 411

APPENDIX A

LOCATION MAP



LJA Engineering & Surveying, Inc.
2200 Riverchase Drive
Suite 300
Houston, Texas 77042-3703
Phone: 713.833.5200
Fax: 713.833.5202

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	30
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39-41
CHANGES IN LONG-TERM BOND DEBT	42-43
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	44-47
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	48-49

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 411
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 411 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 7, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR END ENDED JULY 31, 2018**

Management’s discussion and analysis of Harris County Municipal Utility District No. 411’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended July 31, 2018. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR END ENDED JULY 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$852,265 as of July 31, 2018. A portion of the District’s net position reflects its net investment in capital assets (detention pond and land, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END ENDED JULY 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 2,206,207	\$ 2,032,296	\$ 173,911
Intangible Assets (Net of Accumulated Amortization)	4,002,484	4,075,255	(72,771)
Capital Assets (Net of Accumulated Depreciation)	<u>1,481,484</u>	<u>1,363,844</u>	<u>117,640</u>
Total Assets	<u>\$ 7,690,175</u>	<u>\$ 7,471,395</u>	<u>\$ 218,780</u>
Deferred Outflows of Resources	<u>\$ 116,050</u>	<u>\$ 123,105</u>	<u>\$ (7,055)</u>
Due to Developer	\$ 810,417	\$ 1,630,944	\$ 820,527
Long-Term Liabilities	4,979,996	5,175,807	195,811
Bond Anticipation Note Payable	1,040,200		(1,040,200)
Other Liabilities	<u>123,347</u>	<u>98,763</u>	<u>(24,584)</u>
Total Liabilities	<u>\$ 6,953,960</u>	<u>\$ 6,905,514</u>	<u>\$ (48,446)</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,238,415)	\$ (1,238,383)	\$ (32)
Restricted	692,369	642,233	50,136
Unrestricted	<u>1,398,311</u>	<u>1,285,136</u>	<u>113,175</u>
Total Net Position	<u>\$ 852,265</u>	<u>\$ 688,986</u>	<u>\$ 163,279</u>

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 663,958	\$ 623,167	\$ 40,791
Other Revenues	50,830	32,669	18,161
Total Revenues	<u>\$ 714,788</u>	<u>\$ 655,836</u>	<u>\$ 58,952</u>
Expenses for Services	<u>551,509</u>	<u>442,698</u>	<u>(108,811)</u>
Change in Net Position	\$ 163,279	\$ 213,138	\$ (49,859)
Net Position, Beginning of Year	<u>688,986</u>	<u>475,848</u>	<u>213,138</u>
Net Position, End of Year	<u>\$ 852,265</u>	<u>\$ 688,986</u>	<u>\$ 163,279</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR END ENDED JULY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of July 31, 2018, were \$1,109,354, a decrease of \$894,647 from the prior year.

The General Fund fund balance increased by \$112,837, primarily due tax revenues exceeding current year operating expenditures.

The Debt Service Fund fund balance increased by \$46,700, primarily due to the structure of the District’s outstanding debt requirements.

The Capital Projects Fund fund balance decreased by \$1,054,184, primarily due to the issuance of the Series 2018 Bond Anticipation Note (“BAN”).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were lower than budgeted revenues by \$14,636, primarily due to lower than anticipated property tax revenues. Actual expenditures were more than budgeted expenditures by \$29,207, primarily due to higher than anticipated costs in every budget category.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of July 31, 2018, total \$1,481,484 and include land and detention facilities as well as impact fees.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciation:			
Land and Land Improvements	\$ 419,457	\$ 274,952	\$ 144,505
Capital Assets Subject to Depreciation:			
Detention Pond	1,007,566	1,032,485	(24,919)
City of Houston Impact Fees	54,461	56,407	(1,946)
Total Net Capital Assets	\$ 1,481,484	\$ 1,363,844	\$ 117,640

The District is located within the city limits of the City of Houston (the “City”). In accordance with a Utility Functions and Service Allocation Agreement with the City, all water and wastewater facilities and certain storm water facilities are conveyed to the City once constructed and placed in service. The City operates the facilities and is responsible for the maintenance. To date, utilities in Regal Oaks, Sections 1 through 5 and Daybreak, Sections 1 through 4 have been constructed and conveyed to the City. Facilities with an unamortized balance of \$4,002,484 have been conveyed to the City.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END ENDED JULY 31, 2018**

LONG-TERM DEBT ACTIVITY

As of July 31, 2018, the District had total bond debt payable of \$5,050,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ 5,250,000
Less: Bond Principal Paid	<u>200,000</u>
Bond Debt Payable, July 31, 2018	<u>\$ 5,050,000</u>

The District's bonds do not carry an underlying or insured rating. The above ratings reflected all rating changes, if any, through July 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 411, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 209,395	\$ 40,962
Investments	1,221,025	721,559
Receivables:		
Property Taxes	2,938	4,862
Penalty and Interest on Delinquent Taxes		
Accrued Interest		1,155
Due from Other Funds		74
Land		
Intangible Assets (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,433,358	\$ 768,612
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,433,358	\$ 768,612

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$	\$	\$
2,474	250,357 1,945,058		250,357 1,945,058
	7,800		7,800
		1,837	1,837
	1,155		1,155
	74	(74)	
		419,457	419,457
		4,002,484	4,002,484
		1,062,027	1,062,027
\$	\$	\$	\$
2,474	2,204,444	5,485,731	7,690,175
\$	\$	\$	\$
- 0 -	- 0 -	116,050	116,050
\$	\$	\$	\$
2,474	2,204,444	5,601,781	7,806,225

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 34,973	\$ 101
Accrued Interest Payable		
Accrued Interest Payable on Bond Anticipation Note		
Due to Developers		
Due to Other Funds	74	
Due to Taxpayers		1,648
Bond Anticipation Note Payable		
Long Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 35,047	\$ 1,749
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 2,938	\$ 4,862
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		762,001
Unassigned	1,395,373	
TOTAL FUND BALANCES	\$ 1,395,373	\$ 762,001
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,433,358	\$ 768,612
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,280	\$ 36,354	\$	\$ 36,354
		76,331	76,331
9,014	9,014		9,014
		810,417	810,417
	74	(74)	
	1,648		1,648
1,040,200	1,040,200		1,040,200
		210,000	210,000
		4,769,996	4,769,996
<u>\$ 1,050,494</u>	<u>\$ 1,087,290</u>	<u>\$ 5,866,670</u>	<u>\$ 6,953,960</u>
<u>\$ - 0 -</u>	<u>\$ 7,800</u>	<u>\$ (7,800)</u>	<u>\$ - 0 -</u>
\$ (1,048,020)	\$ (1,048,020)	\$ 1,048,020	\$
	762,001	(762,001)	
	1,395,373	(1,395,373)	
<u>\$ (1,048,020)</u>	<u>\$ 1,109,354</u>	<u>\$ (1,109,354)</u>	<u>\$ - 0 -</u>
<u>\$ 2,474</u>	<u>\$ 2,204,444</u>		
		\$ (1,238,415)	\$ (1,238,415)
		692,369	692,369
		1,398,311	1,398,311
		<u>\$ 852,265</u>	<u>\$ 852,265</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2018

Total Fund Balances - Governmental Funds	\$	1,109,354
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		116,050
--	--	---------

Land, capital and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		5,483,968
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		9,637
--	--	-------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (810,417)	
Accrued Interest Payable	(76,331)	
Bonds Payable	<u>(4,979,996)</u>	<u>(5,866,744)</u>
Total Net Position - Governmental Activities	\$	<u>852,265</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 246,263	\$ 416,374
Penalty and Interest		2,704
Tax Rebate		22,988
Miscellaneous Revenues	16,101	7,372
TOTAL REVENUES	\$ 262,364	\$ 449,438
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 72,771	\$ 863
Contracted Services	15,281	14,692
Repairs and Maintenance	20,830	
Amortization		
Depreciation		
Other	9,665	1,764
Capital Outlay		
Debt Service:		
Issuance Costs	30,980	
Bond Principal		200,000
Bond Interest		185,419
Bond Anticipation Note Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 149,527	\$ 402,738
NET CHANGE IN FUND BALANCES	\$ 112,837	\$ 46,700
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2017	1,282,536	715,301
FUND BALANCES(DEFICIT)/NET POSITION - JULY 31, 2018	\$ 1,395,373	\$ 762,001

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 662,637	\$ 1,321	\$ 663,958
	2,704	599	3,303
	22,988		22,988
1,066	24,539		24,539
<u>\$ 1,066</u>	<u>\$ 712,868</u>	<u>\$ 1,920</u>	<u>\$ 714,788</u>
\$ 2,236	\$ 75,870	\$	\$ 75,870
	29,973		29,973
	20,830		20,830
		111,755	111,755
		29,734	29,734
	11,429		11,429
1,006,885	1,006,885	(1,006,885)	
37,115	68,095		68,095
	200,000	(200,000)	
	185,419	9,390	194,809
9,014	9,014		9,014
<u>\$ 1,055,250</u>	<u>\$ 1,607,515</u>	<u>\$ (1,056,006)</u>	<u>\$ 551,509</u>
\$ (1,054,184)	\$ (894,647)	\$ 894,647	\$
		163,279	163,279
6,164	2,004,001	(1,315,015)	688,986
<u>\$ (1,048,020)</u>	<u>\$ 1,109,354</u>	<u>\$ (257,089)</u>	<u>\$ 852,265</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (894,647)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	1,321
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	599
Governmental funds do not account for depreciation and amortization. However, depreciation and amortization expense is recorded in the Statement of Activities.	(141,489)
Assets conveyed to the City of Houston are recorded as an expense in the Statement of Activities.	1,006,885
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	200,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(9,390)</u>
Change in Net Position - Governmental Activities	<u>\$ 163,279</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 411 (the “District”) was created effective June 28, 2004, by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and if approved by the voters of the District to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on July 6, 2004, and sold its first bonds on August 23, 2007.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2018, the Debt Service Fund recorded a receivable from the General Fund of \$74 for an over transfer of maintenance tax collections.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

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

Pensions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2013	Series 2015 Refunding
Amounts Outstanding – July 31, 2018	\$ 1,185,000	\$ 3,865,000
Interest Rates	3.00% - 5.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2035	September 1, 2018/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020 *	September 1, 2022 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2013 Term Bonds maturing September 1, 2035, are subject to mandatory redemption beginning on September 1, 2032.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ 5,250,000	\$	\$ 200,000	\$ 5,050,000
Unamortized Discounts	(74,193)		(4,189)	(70,004)
Bonds Payable, Net	\$ 5,175,807	\$ -0-	\$ 195,811	\$ 4,979,996
		Amount Due Within One Year		\$ 210,000
		Amount Due After One Year		4,769,996
		Bonds Payable, Net		\$ 4,979,996

As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 210,000	\$ 180,844	\$ 390,844
2020	210,000	176,169	386,169
2021	215,000	171,469	386,469
2022	225,000	165,655	390,655
2023	230,000	158,644	388,644
2024-2028	1,290,000	672,338	1,962,338
2029-2033	1,560,000	407,810	1,967,810
2034-2036	1,110,000	78,825	1,188,825
	\$ 5,050,000	\$ 2,011,754	\$ 7,061,754

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. At July 31, 2018, the District had authorized but unissued bonds in the amount of \$44,035,000 for utility facilities and \$32,250,000 for refunding bonds.

During the year ended July 31, 2018, the District levied an ad valorem debt service tax rate of \$0.44 per \$100 of assessed valuation, which resulted in a tax levy of \$417,525 on the adjusted taxable valuation of \$94,891,963 for the 2017 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that any profit realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

The bond resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$475,547 and the bank balance was \$475,648. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 209,395	\$	\$ 209,395
DEBT SERVICE FUND	40,962	225,190	266,152
TOTAL DEPOSITS	\$ 250,357	\$ 225,190	\$ 475,547

Investments

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR. As of July 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities - Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 1,221,025	\$ 1,221,025
<u>DEBT SERVICE FUND</u>		
TexSTAR	496,369	496,369
Certificates of Deposit	225,190	225,190
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	2,474	2,474
TOTAL INVESTMENTS	\$ 1,945,058	\$ 1,945,058

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the District’s investment in TexSTAR was rated AAAM by Standard and Poor’s. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital Asset activity for the year ended July 31, 2018:

	August 1, 2017	Increases	Decreases	July 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 274,952	\$ 144,505	\$ - 0 -	\$ 419,457
Capital Assets Subject to Depreciation				
Detention Pond	\$ 1,245,408	\$ 2,869	\$	\$ 1,248,277
City of Houston Impact Fees	77,824			77,824
Total Capital Assets Subject to Depreciation	<u>\$ 1,323,232</u>	<u>\$ 2,869</u>	<u>\$ - 0 -</u>	<u>\$ 1,326,101</u>
Less Accumulated Depreciation				
Detention Pond	\$ 212,923	\$ 27,788	\$	\$ 240,711
City of Houston Impact Fees	21,417	1,946		23,363
Total Accumulated Depreciation	<u>\$ 234,340</u>	<u>\$ 29,734</u>	<u>\$ - 0 -</u>	<u>\$ 264,074</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,088,892</u>	<u>\$ (26,865)</u>	<u>\$ - 0 -</u>	<u>\$ 1,062,027</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,363,844</u>	<u>\$ 117,640</u>	<u>\$ - 0 -</u>	<u>\$ 1,481,484</u>

In accordance with the Utility Functions and Services Allocation Agreement (see Note 8), water, wastewater and certain drainage facilities have been conveyed to the City of Houston for operations and maintenance. The District has recorded an intangible asset for the cost of these assets which have a cost of \$4,921,642 and accumulated amortization of \$919,158 through July 31, 2018. Current year amortization expense was \$111,755.

NOTE 7. MAINTENANCE TAX

On February 5, 2005, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$246,719 on the adjusted taxable valuation of \$94,891,963 for the 2017 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT

On May 4, 2005, the District assumed the responsibility for a Utility Functions and Services Allocation Agreement previously executed by a Developer within the District on behalf of the District. The agreement dated March 2, 2005, was between the City of Houston, Texas (the “City”) and a Developer in the District. The Agreement acknowledges that the District is within the corporate limits of the City. The Agreement provides that the District will acquire for the benefit of and conveyance to the City the water and wastewater facilities needed to serve lands being developed within and near the boundaries of the District. In order to enhance the economic feasibility of the District, the City agreed to make annual tax rebate payments to the District in consideration of the District’s financing, acquisition, and construction of such facilities. The District will make water and wastewater reservation requests for capacity to the City and will pay all impact fees as required under the Code of Ordinances for each water and wastewater reservation.

As facilities are acquired, constructed and conveyed to the City, the City will assume responsibility for operation and maintenance of the water and sewer facilities. The City will bill and collect from the customers of the facilities at the same rates as those the City charges its other customers.

In consideration of the development of the land within the District and City, the related increase in taxable value and as a result of the conveyance of the facilities to the City, the City agreed to make an annual payment to the District of a portion of the City’s tax revenues actually collected and received by the City. Currently, the rebate is calculated with the following formula:

$$\begin{array}{rcccl}
 & & \text{City property} & & \text{assessed} & & \text{dollar value} \\
 & \text{R} & \text{X} & & \text{valuation} & = & \text{offset in} \\
 & & \text{tax rate for} & \text{X} & \text{of in-city} & & \text{in-city} \\
 & & \text{debt service} & & \text{district} & & \text{district} \\
 & & \text{on property} & & \underline{\text{100}} & & \\
 & & \text{tax-supported} & & & & \\
 & & \text{bonds} & & & &
 \end{array}$$

R is the approximate value of the ratio between the City’s debt service payments for stormwater facilities and the total City debt service payments for all tax-supported bonds. Initially, R is 0.13. The City shall recompute R every ten years and shall provide the District documentation that supports any change to this ratio.

The rebate will be made in an annual payment on April 1, with the rebate calculated for the calendar year preceding each April 1. The agreement makes provision that for correction or supplemental tax rolls, the District is responsible for notifying the City of the changes, so the rebate calculation can be revised for the changes in taxable values. The City is obligated to provide the District an accounting together with each annual payment. During the current fiscal year, the District received \$22,988 for the 2017 tax rebate.

The District and City acknowledge that the City has the legal authority to dissolve the District at any time, should the appropriate circumstances exist. The Agreement will remain in effect until the earlier of 50 years or the dissolution of the District by the City.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile liability, public officials' liability and pollution liability. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. UNREIMBURSED DEVELOPER COSTS AND DEFICIT FUND BALANCE

The District has executed developer financing agreements with a Developer within the District. The agreements call for the Developer to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$810,417 has been recorded as a liability for facilities financed by the Developer. Reimbursement to the Developer will come from future bond sales.

The District has recorded a deficit fund balance in the Capital Projects Fund of \$1,048,020. This deficit was incurred as a result of the District issuing its Bond Anticipation Note, Series 2018. The amount due on the BAN is recorded as a current liability of the Capital Projects Fund. The District expects the deficit to be alleviated upon the sale of bonds in early 2019 (see Note 12).

NOTE 11. SALE OF BOND ANTICIPATION NOTE

On March 28, 2018, the District sold its Series 2018 Bond Anticipation Note ("BAN") in the amount of \$1,040,200. Proceeds of the BAN were used to reimburse the Developer within the District a portion of the water, wastewater and drainage costs serving Daybreak Sections 3, 4 and 5, as well as the construction of the Daybreak detention pond. Additional proceeds were used to pay issuance costs of the BAN. The BAN accrues interest at a rate of 2.53% and is due on March 27, 2019. The District has recorded the BAN as a current liability of the Capital Projects Fund and has recorded interest payable of \$9,014.

NOTE 12. PENDING BOND APPLICATION

On February 8, 2018, the District submitted its third bond application to the TCEQ in the amount of \$2,730,000. As of the date of this report the application has not been approved.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 270,000	\$ 246,263	\$ (23,737)
Miscellaneous Revenues	<u>7,000</u>	<u>16,101</u>	<u>9,101</u>
TOTAL REVENUES	<u>\$ 277,000</u>	<u>\$ 262,364</u>	<u>\$ (14,636)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 67,500	\$ 72,771	\$ (5,271)
Contracted Services	12,000	15,281	(3,281)
Repairs and Maintenance	20,370	20,830	(460)
Other	<u>20,450</u>	<u>40,645</u>	<u>(20,195)</u>
TOTAL EXPENDITURES	<u>\$ 120,320</u>	<u>\$ 149,527</u>	<u>\$ (29,207)</u>
NET CHANGE IN FUND BALANCE	\$ 156,680	\$ 112,837	\$ (43,843)
FUND BALANCE - AUGUST 1, 2017	<u>1,282,536</u>	<u>1,282,536</u>	<u> </u>
FUND BALANCE - JULY 31, 2018	<u>\$ 1,439,216</u>	<u>\$ 1,395,373</u>	<u>\$ (43,843)</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JULY 31, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

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

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

Pursuant to the Utilities Functions and Services Allocation Agreement, the water, wastewater and certain storm water facilities constructed by the District have been conveyed to the City. The District retains ownership of the storm water detention facilities. The City owns, operates and maintains facilities which the District conveys to it for the benefit of the residents of the District.

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved on N/A

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

Total monthly charges per 10,000 gallons usage: Water: \$ N/A Wastewater: \$ N/A Surcharge: \$ N/A

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤¾"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

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

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	N/A	<u>N/A</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

City in which the District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 11,250
Engineering	10,592
Legal	<u>50,929</u>
TOTAL PROFESSIONAL FEES	<u>\$ 72,771</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 15,281</u>
REPAIRS AND MAINTENANCE	<u>\$ 20,830</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 4,200
Dues	650
Insurance	1,905
Office Supplies and Postage	1,101
Payroll Taxes	321
Travel and Meetings	1,215
Other	<u>273</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 9,665</u>
BOND ISSUANCE COSTS	<u>\$ 30,980</u>
TOTAL EXPENDITURES	<u><u>\$ 149,527</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
INVESTMENTS
JULY 31, 2018**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexSTAR	XXXX1110	Varies	Daily	\$ 1,221,025	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX0230	Varies	Daily	\$ 496,369	\$
Certificate of Deposit	XXXX7800	1.20%	02/25/19	225,190	1,155
TOTAL DEBT SERVICE FUND				<u>\$ 721,559</u>	<u>\$ 1,155</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX0130	Varies	Daily	\$ 2,474	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 1,945,058</u>	<u>\$ 1,155</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2017	\$	2,600	\$	3,879
Adjustments to Beginning				
Balance		<u>(118)</u>	\$	<u>(168)</u>
		\$	2,482	\$
				3,711
Original 2017 Tax Levy	\$	211,418	\$	357,785
Adjustment to 2017 Tax Levy		<u>35,301</u>	<u>246,719</u>	<u>59,740</u>
TOTAL TO BE				<u>417,525</u>
ACCOUNTED FOR				
		\$	249,201	\$
				421,236
TAX COLLECTIONS:				
Prior Years	\$	1,389	\$	1,971
Current Year		<u>244,874</u>	<u>246,263</u>	<u>414,403</u>
				<u>416,374</u>
TAXES RECEIVABLE -				
JULY 31, 2018		<u>\$</u>	<u>2,938</u>	<u>\$</u>
				<u>4,862</u>
TAXES RECEIVABLE BY				
YEAR:				
2017	\$	1,845	\$	3,122
2016		642		912
2015		239		495
2014		<u>212</u>		<u>333</u>
TOTAL	\$	<u>2,938</u>	\$	<u>4,862</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 14,488,915	\$ 13,858,344	\$ 14,101,924	\$ 12,847,368
Improvements	86,458,516	77,004,547	60,518,017	50,572,636
Personal Property	1,006,505	916,122	729,160	683,068
Exemptions	<u>(7,061,973)</u>	<u>(8,566,468)</u>	<u>(741,132)</u>	<u>(639,308)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 94,891,963</u>	<u>\$ 83,212,545</u>	<u>\$ 74,607,969</u>	<u>\$ 63,463,764</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.44	\$ 0.44	\$ 0.54	\$ 0.55
Maintenance	<u>0.26</u>	<u>0.31</u>	<u>0.26</u>	<u>0.35</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.70</u>	<u>\$ 0.75</u>	<u>\$ 0.80</u>	<u>\$ 0.90</u>
ADJUSTED TAX LEVY*	<u>\$ 664,244</u>	<u>\$ 624,094</u>	<u>\$ 596,908</u>	<u>\$ 571,227</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.25 %</u>	<u>99.75 %</u>	<u>99.87 %</u>	<u>99.90 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation was approved by voters on February 5, 2005.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 3

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2019	\$ 50,000	\$ 51,169	\$ 101,169
2020	45,000	49,744	94,744
2021	45,000	48,394	93,394
2022	50,000	46,905	96,905
2023	50,000	45,219	95,219
2024	50,000	43,406	93,406
2025	50,000	41,469	91,469
2026	45,000	39,570	84,570
2027	50,000	37,606	87,606
2028	50,000	35,450	85,450
2029	50,000	33,231	83,231
2030	45,000	31,066	76,066
2031	45,000	28,956	73,956
2032	45,000	26,819	71,819
2033	40,000	24,750	64,750
2034	40,000	22,750	62,750
2035	45,000	20,625	65,625
2036	390,000	9,750	399,750
	<u>\$ 1,185,000</u>	<u>\$ 636,879</u>	<u>\$ 1,821,879</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

SERIES - 2015 REFUNDING

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2019	\$ 160,000	\$ 129,675	\$ 289,675
2020	165,000	126,425	291,425
2021	170,000	123,075	293,075
2022	175,000	118,750	293,750
2023	180,000	113,425	293,425
2024	190,000	107,875	297,875
2025	200,000	102,025	302,025
2026	210,000	95,612	305,612
2027	220,000	88,488	308,488
2028	225,000	80,837	305,837
2029	240,000	72,400	312,400
2030	255,000	63,119	318,119
2031	265,000	53,369	318,369
2032	280,000	42,800	322,800
2033	295,000	31,300	326,300
2034	310,000	19,200	329,200
2035	325,000	6,500	331,500
2036			
	<u>\$ 3,865,000</u>	<u>\$ 1,374,875</u>	<u>\$ 5,239,875</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal Interest Due
2019	\$ 210,000	\$ 180,844	\$ 390,844
2020	210,000	176,169	386,169
2021	215,000	171,469	386,469
2022	225,000	165,655	390,655
2023	230,000	158,644	388,644
2024	240,000	151,281	391,281
2025	250,000	143,494	393,494
2026	255,000	135,182	390,182
2027	270,000	126,094	396,094
2028	275,000	116,287	391,287
2029	290,000	105,631	395,631
2030	300,000	94,185	394,185
2031	310,000	82,325	392,325
2032	325,000	69,619	394,619
2033	335,000	56,050	391,050
2034	350,000	41,950	391,950
2035	370,000	27,125	397,125
2036	390,000	9,750	399,750
	<u>\$ 5,050,000</u>	<u>\$ 2,011,754</u>	<u>\$ 7,061,754</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017
Harris County Municipal Utility District No. 411 Unlimited Tax Bonds - Series 2013	\$ 1,275,000	\$ 1,230,000
Harris County Municipal Utility District No. 411 Unlimited Tax Refunding Bonds - Series 2015	<u>4,085,000</u>	<u>4,020,000</u>
TOTAL	<u>\$ 5,360,000</u>	<u>\$ 5,250,000</u>
Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 50,000,000	\$ 32,500,000
Amount Issued	<u>5,965,000</u>	<u>250,000</u>
Remaining to be Issued	<u>\$ 44,035,000</u>	<u>\$ 32,250,000</u>
Debt Service Fund cash and investments balance as of July 31, 2018:		<u>\$ 762,521</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 392,320</u>

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

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>			
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>
	<u>Principal</u>	<u>Interest</u>	
\$	\$ 45,000	\$ 52,594	\$ 1,185,000
	<u>155,000</u>	<u>132,825</u>	<u>3,865,000</u>
<u>\$ - 0 -</u>	<u>\$ 200,000</u>	<u>\$ 185,419</u>	<u>\$ 5,050,000</u>

The Bank of New York
Mellon Trust Company, N.A.
Dallas, TX

The Bank of New York
Mellon Trust Company, N.A.
Dallas, TX

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 246,263	\$ 259,467	\$ 192,664
Miscellaneous Revenues	<u>16,101</u>	<u>5,730</u>	<u>1,978</u>
TOTAL REVENUES	<u>\$ 262,364</u>	<u>\$ 265,197</u>	<u>\$ 194,642</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 72,771	\$ 47,548	\$ 52,225
Contracted Services	15,281	13,148	12,128
Repairs and Maintenance	20,830	12,845	14,370
Other	<u>40,645</u>	<u>15,945</u>	<u>9,792</u>
TOTAL EXPENDITURES	<u>\$ 149,527</u>	<u>\$ 89,486</u>	<u>\$ 88,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 112,837</u>	<u>\$ 175,711</u>	<u>\$ 106,127</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 112,837	\$ 175,711	\$ 106,127
BEGINNING FUND BALANCE	<u>1,282,536</u>	<u>1,106,825</u>	<u>1,000,698</u>
ENDING FUND BALANCE	<u>\$ 1,395,373</u>	<u>\$ 1,282,536</u>	<u>\$ 1,106,825</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 217,281	\$ 219,579	93.9 %	97.8 %	99.0 %	99.4 %	99.4 %
<u>1,222</u>	<u>1,249</u>	<u>6.1</u>	<u>2.2</u>	<u>1.0</u>	<u>0.6</u>	<u>0.6</u>
\$ <u>218,503</u>	\$ <u>220,828</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 50,363	\$ 49,060	27.7 %	17.9 %	26.8 %	23.0 %	22.2 %
8,868	7,360	5.8	5.0	6.2	4.1	3.3
10,720	12,317	7.9	4.8	7.4	4.9	5.6
<u>9,950</u>	<u>8,887</u>	<u>15.5</u>	<u>6.0</u>	<u>5.0</u>	<u>4.6</u>	<u>4.0</u>
\$ <u>79,901</u>	\$ <u>77,624</u>	<u>56.9 %</u>	<u>33.7 %</u>	<u>45.4 %</u>	<u>36.6 %</u>	<u>35.1 %</u>
\$ <u>138,602</u>	\$ <u>143,204</u>	<u>43.1 %</u>	<u>66.3 %</u>	<u>54.6 %</u>	<u>63.4 %</u>	<u>64.9 %</u>
\$ <u>- 0 -</u>	\$ <u>25,481</u>					
\$ 138,602	\$ 168,685					
<u>862,096</u>	<u>693,411</u>					
\$ <u>1,000,698</u>	\$ <u>862,096</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 416,374	\$ 370,138	\$ 399,282
Penalty and Interest	2,704	6,681	3,640
Miscellaneous Revenues	7,372	3,234	3,049
Tax Rebate	22,988	17,536	18,870
TOTAL REVENUES	\$ 449,438	\$ 397,589	\$ 424,841
EXPENDITURES			
Tax Collection Expenditures	\$ 16,069	\$ 23,117	\$ 17,235
Bond Issuance Costs			169,501
Debt Service Principal	200,000	225,000	110,000
Debt Service Interest and Fees	186,669	220,873	152,885
TOTAL EXPENDITURES	\$ 402,738	\$ 468,990	\$ 449,621
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 46,700	\$ (71,401)	\$ (24,780)
OTHER FINANCING SOURCES (USES)			
Bond Discount	\$	\$	\$ (28,884)
Transfer to Refunded Bond Escrow Agent			(3,883,765)
Proceeds from Issuance of Refunding Bonds			4,085,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 172,351
NET CHANGE IN FUND BALANCE	\$ 46,700	\$ (71,401)	\$ 147,571
BEGINNING FUND BALANCE	715,301	786,702	639,131
ENDING FUND BALANCE	\$ 762,001	\$ 715,301	\$ 786,702
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 341,277	\$ 358,253	92.7 %	93.1 %	94.0 %	94.7 %	94.1 %
2,110	5,404	0.6	1.7	0.9	0.6	1.4
1,734		1.6	0.8	0.7	0.5	
15,198	17,323	5.1	4.4	4.4	4.2	4.5
<u>\$ 360,319</u>	<u>\$ 380,980</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 16,702	\$ 15,470	3.6 %	5.8 %	4.1 %	4.6 %	4.1 %
				39.9		
105,000	100,000	44.5	56.6	25.9	29.1	26.2
246,050	217,912	41.5	55.6	36.0	68.3	57.2
<u>\$ 367,752</u>	<u>\$ 333,382</u>	<u>89.6 %</u>	<u>118.0 %</u>	<u>105.9 %</u>	<u>102.0 %</u>	<u>87.5 %</u>
<u>\$ (7,433)</u>	<u>\$ 47,598</u>	<u>10.4 %</u>	<u>(18.0) %</u>	<u>(5.9) %</u>	<u>(2.0) %</u>	<u>12.5 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (7,433)	\$ 47,598					
646,564	598,966					
<u>\$ 639,131</u>	<u>\$ 646,564</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

District Mailing Address - Harris County Municipal Utility District No. 411
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2018	Expense reimbursements for the year ended July 31, 2018	<u>Title</u>
James Vick	05/16 05/20 (Elected)	\$ 750	\$ -0-	President
Stanley Pace	05/16 05/20 (Elected)	\$ 600	\$ 759	Vice President
Andy Parker	05/18 05/22 (Elected)	\$ 450	\$ 11	Assistant Vice President
Jeff Tobin	05/18 05/22 (Elected)	\$ 750	\$ 23	Secretary
Chad Griffin	05/18 05/22 (Elected)	\$ 450	\$ 17	Assistant Secretary

Notes: Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): June 6, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 6, 2004. Fees of Office are the amounts actually paid to a Director during the District's year end.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 411
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended July 31, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/06/04	\$ 53,165 \$ 10,402	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/05/06	\$ 11,250 \$ 6,000	Audit Related BAN Related
Avanta Services	08/04/04	\$ 17,488	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/02/05	\$ 863	Delinquent Tax Attorney
LJA Engineering Surveying, Inc.	08/04/04	\$ 41,572	Engineer
Rathmann & Associates, LP	11/10/04	\$ 10,402	Financial Advisor
Pamela Logsdon	08/04/04	\$ -0-	Investment Officer
Assessments of the Southwest, Inc.	08/04/04	\$ 11,688	Tax Assessor/ Collector

See accompanying independent auditor's report.

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND
INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

