

OFFICIAL STATEMENT DATED APRIL 15, 2019

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, AND SUBJECT TO THE MATTERS DESCRIBED IN “LEGAL MATTERS—TAX EXEMPTION” HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME TAX PURPOSES IS EXCLUDABLE FROM GROSS INCOME OF THE OWNERS THEREOF AND WILL NOT BE INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF THE OWNERS THEREOF.

The District Bonds will be treated as “qualified tax-exempt obligations” for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P “AA” (stable outlook)
 Underlying Rating: Moody’s “A2”
 See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

\$7,930,000

WESTON MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX REFUNDING BONDS

SERIES 2019

Dated: May 1, 2019

Due: August 1, as shown below

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from May 1, 2019 and will be payable on August 1 and February 1 of each year commencing August 1, 2019 (three months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$ 50,000	3.00 %	1.83 %	961190 NS0	2027	\$ 785,000 (c)	4.00 %	2.18 %	961190 NZ4
2021	55,000	3.00	1.85	961190 NT8	2028	810,000 (c)	4.00	2.19	961190 PA7
2022	500,000	3.00	1.92	961190 NU5	2029	805,000 (c)	4.00	2.27	961190 PB5
2023	545,000	3.00	1.97	961190 NV3	2030	800,000 (c)	4.00	2.36	961190 PC3
2024	590,000	3.00	2.14	961190 NW1	2031	790,000 (c)	3.00	3.01	961190 PD1
2025	635,000	4.00	2.25	961190 NX9	2032	780,000 (c)	3.00	3.08	961190 PE9
2026	785,000 (c)	4.00	2.17	961190 NY7					

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from May 1, 2019 is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) The Bonds maturing on and after August 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on August 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

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

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., as Underwriter’s Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about May 15, 2019.

SAMCO CAPITAL MARKETS, INC.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas, 77010 upon payment of the costs of duplication.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer Weston Municipal Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue \$7,930,000 Weston Municipal Utility District, Unlimited Tax Refunding Bonds, Series 2019, dated May 1, 2019, are issued pursuant to an order (the “Bond Order”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in each of the years and in the principal amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from May 1, 2019 and will be payable August 1 and February 1 of each year commencing August 1, 2019 (three months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months.

The Bonds maturing on and after August 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on August 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”

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

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

Use of Proceeds Proceeds from the sale of the Bonds, together with other lawfully available District funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$8,130,000 of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”

Payment Record The District has previously issued three series of waterworks and sewer system combination unlimited tax and revenue bonds, six series of unlimited tax bonds and seven series of unlimited tax refunding bonds, of which an aggregate principal amount of \$22,715,000 is currently outstanding (the “Outstanding Bonds”). The District has never defaulted on the payment and principal and interest on the previously issued bonds. After the issuance of the Bonds, \$14,585,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “FINANCIAL STATEMENT.”

<i>Qualified Tax-Exempt Obligations</i>	The Bonds will be treated as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Bond Counsel</i>	Norton Rose Fulbright US LLP, Bond Counsel, Houston, Texas.
<i>Underwriter’s Counsel</i>	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, National Association, Dallas, Texas.
<i>Verification Agent</i>	Public Finance Partners LLC, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”
<i>Municipal Bond Insurance and Rating</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The Bonds also have been assigned an underlying credit rating of “A2” by Moody’s Investors Service without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

THE DISTRICT

Description and Location.....The District is a political subdivision of the State of Texas, created by order of the Texas Water Rights Commission (predecessor to the Texas Commission on Environmental Quality (the “TCEQ”)), on August 15, 1973, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.” The District is located approximately 22 miles west of the central downtown business district of the City of Houston (the “City”). Access to the District from the City is provided by Interstate Highway 10 to Mason Road. The District lies wholly within the boundaries of Katy Independent School District. Pursuant to a Strategic Partnership Agreement with the City, a portion of the District (all the residential acres) is within the extraterritorial jurisdiction of the City and a portion (commercial and retail acres) has been annexed by the City for limited purposes.

Recent Extreme 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 such 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. However, according to the District’s Operator, the District’s System did not sustain any material damage and there was no interruption of water and sewer service. According to the District’s Operator, after investigation, it appeared that none of the homes within the District experienced water incursions or other significant damage. In addition, to the knowledge of the District, no commercial improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See “THE SYSTEM.”

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

Status of DevelopmentDevelopment in the District began in 1974. The District encompasses approximately 717 acres of land. Water, sanitary sewer and drainage facilities have been constructed to serve the entire District, including approximately 160 acres developed for single-family residential purposes, approximately 75 acres developed for multi-family residential purposes, and approximately 394 acres developed as commercial and office reserves. In addition, the District has approximately 88 acres of plant sites, easements and rights-of-way. The approximately 160 acres of single-family residential development includes Westgreen, Sections 1 through 3 and Westborough Subdivision (collectively containing approximately 796 single-family residential lots). Values of houses in these sections are on the tax rolls of the District for the 2018 tax year averaging from approximately \$75,000 to \$115,000. As of February 8, 2019, the District had 794 occupied single-family connections and two vacant single-family connections.

Multi-family development in the District includes five apartment complexes: Bent Tree Apartments (291 apartment units, 93% occupancy rate); Westborough Crossing Apartments (274 apartment units, 95% occupancy rate); Kenwood Club Apartments (320 apartment units, 92% occupancy rate); Providence Place Apartments (252 senior living apartment units, 97% occupancy rate) and The District at Westborough Apartments (340 apartment units, 92% occupancy rate).

The District has approximately 69 commercial users. The largest commercial user is Academy Sports and Outdoors ("Academy"), a national sporting goods company, with an approximately 1,160,000 square foot warehouse/distribution facility and corporate office, including an additional 200,000 square foot bulk storage facility. See "PRINCIPAL PROPERTY OWNERS." Other large commercial/mixed-use developments include Westborough and Prime West. Westborough, a commercial, single-family and multi-family development, includes the all of the Westborough single-family subdivision and four of the multi-family development apartment complexes described above, Ferguson Plumbing, Katy Furniture, a strip center, a fast food restaurant/service station, two churches (both tax-exempt) and a post office (tax-exempt), and other retail and service establishments. Prime West, a commercial and multi-family development, includes one of the multi-family development apartment complexes described above, an approximately 60,000 square foot warehouse facility owned by the Ashton Framing Company, an electrical equipment company, Knight Transportation trucking facility, an approximately 110,000 square foot office/warehouse facility, a State Farm Insurance facility, a private daycare center, and other retail and service establishments. In addition to these commercial developments, the District contains a gas station with a fast food restaurant, a strip center known as Gardens at Westgreen, which contains a spa, restaurants and other establishments, and a Presbyterian Church (tax-exempt). Mason Creek Office Corporate Park consists of five buildings with approximately 385,000 square feet of office/warehouse space owned by Transwestern, an approximately 140,000 square foot, two story office building owned and occupied by Geico Insurance, the Berkeley Eye Center, an approximately 14,000 square foot event center owned by Noah's, an approximately 140,000 square foot, three story office building, a 23,000 square foot multi-tenant strip center, and an approximately 97,000 square foot office building.

Westgreen I-10 East contains six restaurant pad sites including a BJ's Brewhouse, Longhorn Steakhouse, Uncle Julio's and Newks Eatery, a bank and a gas station. Best Western (92 rooms) is located on approximately three acres of land in the District and a BMW auto dealership is located on approximately eight acres. Texas CMO Dermatology has constructed a medical office building on approximately two acres in the District. See "THE DISTRICT—Status of Development."

*Principal Property Owners.....*Based upon the 2018 certified tax rolls, the top ten taxpayers were responsible for approximately 54.28% of the District's 2018 Certified Taxable Assessed Valuation (approximately \$466,132,243). The principal taxpayer within the District is Academy, which owns the inventory and personal property located in an approximately 1,160,000 square foot warehouse/distribution facility and corporate office which it leases. The inventory and personal property of Academy represents approximately 17.70% of the District's 2018 Certified Taxable Assessed Valuation. The second largest taxpayer within the District is the owner of the land and buildings on which the warehouse/distribution buildings and associated office facilities leased by Academy are located and represent an additional 9.72% of the District's 2018 Certified Taxable Assessed Valuation. The third largest taxpayer within the District is the owner of corporate office buildings, parking garage and auditorium used by Academy are located and represent an additional 6.27% of the District's 2018 Certified Taxable Assessed Valuation. See "PRINCIPAL PROPERTY OWNERS," "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2018 Certified Taxable Assessed Valuation.....	\$858,727,766	(a)
Gross Direct Debt Outstanding	\$22,515,000	(b)
Estimated Overlapping Debt	<u>41,694,417</u>	
Gross Direct Debt and Estimated Overlapping Debt.....	\$64,209,417	
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation.....	2.62%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation.....	7.48%	
2018 Debt Service Tax Rate	\$0.22	
2018 Maintenance Tax Rate.....	<u>0.15</u>	
Total	\$0.37	
Average Annual Debt Service Requirement (2019-2038).....	\$1,520,845	(c)
Tax Rate Required to Pay Average Annual Debt Service (2019-2038) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation	\$0.19	
Maximum Annual Debt Service Requirement (2020).....	\$1,876,663	(c)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation	\$0.24	
Status of Water Connections as of February 8, 2019 (d):		
Single family – occupied.....	794	
Single family – unoccupied.....	2	
Multi-Family connections (1,137 apartment units)	6	
Commercial.....	69	
Other	<u>60</u>	
Total	931	
Estimated 2019 Population	5,053	(e)

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- (a) As certified by the Harris County Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
(b) Includes the Bonds, excludes the Refunded Bonds. See “PLAN OF FINANCING—Outstanding Bonds.”
(c) See “DEBT SERVICE REQUIREMENTS.”
(d) See “THE DISTRICT—Status of Development.”
(e) Based upon 3.5 persons per occupied home and 2 persons per multi-family dwelling.

OFFICIAL STATEMENT

\$7,930,000

WESTON MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

This Official Statement provides certain information in connection with the issuance by Weston Municipal Utility District (the "District") of its \$7,930,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, Chapters 49 and 54 of the Texas Water Code, City of Houston Ordinance No. 97-416, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Norton Rose Fulbright US LLP, the District's General Counsel and Bond Counsel, 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

PLAN OF FINANCING

Purpose

At a bond election held within the District, voters of the District authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one-half times the amount of outstanding water, wastewater and drainage bonds. The District currently has \$22,715,000 principal amount of bonds outstanding (the "Outstanding Bonds").

The proceeds of the Bonds, together with certain available debt service funds of the District, if any, are being used to currently refund and defease a portion of the District's Unlimited Tax Bonds, Series 2010A totaling \$8,130,000 (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds." A total of \$14,585,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Refunding Bonds, Series 2010	\$ 2,755,000	\$ 850,000	\$ -	\$ 850,000
Unlimited Tax Bonds, Series 2010A	9,130,000	8,180,000	8,130,000	50,000
Unlimited Tax Refunding Bonds, Series 2012	1,845,000	735,000	-	735,000
Unlimited Tax Bonds, Series 2014	7,820,000	7,525,000	-	7,525,000
Unlimited Tax Refunding Bonds, Series 2015	2,800,000	2,100,000	-	2,100,000
Unlimited Tax Bonds, Series 2015A	4,075,000	3,325,000	-	3,325,000
Total		\$ 22,715,000	\$ 8,130,000	\$ 14,585,000
The Bonds				7,930,000
The Bonds and Remaining Outstanding Bonds				\$ 22,515,000

Refunded Bonds

Proceeds of the Bonds and lawfully available debt service funds, if any, will be applied to refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u>	<u>Series</u>
<u>August 1</u>	<u>2010A</u>
2020	\$ 50,000
2021	55,000
2022	500,000
2023	550,000
2024	600,000
2025	650,000
2026	800,000
2027	800,000
2028	825,000
2029	825,000 (a)
2030	825,000 (a)
2031	825,000 (b)
2032	<u>825,000 (b)</u>
	<u>\$ 8,130,000</u>

Redemption Date: 8/1/2019

- (a) Represents term bonds in the total principal amount of \$1,650,000, scheduled to mature on August 1, 2030.
 (b) Represents term bonds in the total principal amount of \$1,650,000, scheduled to mature on August 1, 2032.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$7,930,000.00
Plus: Net Premium on the Bonds	528,559.50
Plus: Transfer from Debt Service Fund	<u>82,000.00</u>
Total Sources of Funds.....	<u>\$8,540,559.50</u>
Uses of Funds:	
Deposit to the Escrow Fund.....	\$8,261,311.90
Issuance Expenses and Underwriters' Discount (a).....	<u>279,247.60</u>
Total Uses of Funds	<u>\$8,540,559.50</u>

- (a) Includes municipal bond insurance premium.

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or interest payment date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to provide for the discharge and defeasance of the Refunded Bonds. The Bond Order further provides that from the proceeds of the sale of the Bonds and other available debt service funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, as of the date of the Bond Order, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, as of the date of the Bond Order, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. (the "Escrowed Securities").

At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior Orders of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$8,130,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
	Debt Service Requirements		Principal	Interest	Total	
2019	\$ 1,942,218	\$ 169,203		\$ 71,025	\$ 71,025	\$ 1,844,040
2020	1,930,968	388,405	\$ 50,000	284,100	334,100	1,876,663
2021	1,911,186	391,655	55,000	282,600	337,600	1,857,131
2022	1,894,931	834,675	500,000	280,950	780,950	1,841,206
2023	1,901,181	866,175	545,000	265,950	810,950	1,845,956
2024	1,905,181	895,275	590,000	249,600	839,600	1,849,506
2025	1,906,831	921,875	635,000	231,900	866,900	1,851,856
2026	1,851,031	1,045,875	785,000	206,500	991,500	1,796,656
2027	1,803,631	1,013,475	785,000	175,100	960,100	1,750,256
2028	1,680,488	1,005,675	810,000	143,700	953,700	1,628,513
2029	1,658,463	971,025	805,000	111,300	916,300	1,603,738
2030	1,658,606	935,138	800,000	79,100	879,100	1,602,569
2031	1,631,813	899,250	790,000	47,100	837,100	1,569,663
2032	1,602,938	862,125	780,000	23,400	803,400	1,544,213
2033	1,072,563	-	-	-	-	1,072,563
2034	1,042,063	-	-	-	-	1,042,063
2035	1,009,500	-	-	-	-	1,009,500
2036	976,938	-	-	-	-	976,938
2037	944,250	-	-	-	-	944,250
2038	909,625	-	-	-	-	909,625
Total	\$ 31,234,403	\$ 11,199,825	\$7,930,000	\$2,452,325	\$10,382,325	\$ 30,416,903

Maximum Annual Debt Service Requirement (2020).....\$1,876,663
Average Annual Debt Service Requirements (2019-2038)\$1,520,845

THE BONDS

General

The Bonds are dated May 1, 2019, and mature on August 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from May 1, 2019, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 1 and February 1 of each year, commencing August 1, 2019 (three months of interest) until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, National Association in Dallas, Texas (the “the Paying Agent/Registrar,” “Paying Agent,” or “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 “BOOK-ENTRY-ONLY SYSTEM”.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

The record date for payment of 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. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order, without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

Voters of the District have authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one-half times the amount of outstanding water, wastewater and drainage bonds issued by the District. See “THE BONDS—Issuance of Additional Debt.”

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; City of Houston Ordinance No. 97-416; an election held within the District; and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass on the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See “LEGAL MATTERS—Legal Opinions.”

Source and Security for Payment

The Bonds (together with the Remaining Outstanding Bonds and such additional tax bonds as may hereafter be issued by the District) are payable from and secured by a pledge of 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 “TAXING PROCEDURES”). The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

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

Funds and Accounts

The Bond Order confirms establishment and maintenance by the District of a Bond Fund. The Bond Fund is part of the District’s interest and sinking fund. The Bond Order requires that the District credit to the Bond Fund (i) on the issue date from the proceeds from the sale of the Bonds, an amount equal to the interest accruing on the Bonds from the dated date to the issue date; (ii) all receipts of taxes (and penalty and interest thereon) levied to provide for the payment of principal of and interest on (or fees and expenses of the Paying Agent/Registrar with respect to) the Bonds or to provide a sinking fund for the payment of principal of the Bonds; (iii) all earnings from the investment of amounts credited to the Bond Fund; and (iv) any other funds of the District deposited to the Bond Fund to pay principal (or redemption price) of or interest on the Bonds. The Bond Order requires that the Bond Fund be applied solely to pay the principal or redemption price of, interest on, and the Paying Agent fees with respect to the Bonds.

Paying Agent/Registrar

The Board has selected The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”) as the initial Paying Agent and Registrar for the Bonds. The initial designated payment office for the Bonds is located in Dallas, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least \$10,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Registration, Transfer, and Exchange

Upon surrender for transfer of any Bond at the place of payment, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the holder, Bonds may be exchanged for other Bonds of the same stated maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment. Whenever any Bonds are so surrendered for exchange, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the holder of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the District and the Paying Agent/Registrar duly executed, by the holder thereof or his attorney duly authorized in writing.

No service charge shall be made to the holder for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

While the Bonds are in the Book-Entry-Only system, Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after August 1, 2026, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of \$5,000 on August 1, 2025, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. If less than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar shall select the particular Bonds to be redeemed by such random method as it deems fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book- entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption to DTC while the Bonds are in Book-Entry-Only form and thereafter by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register. Notice of redemption having been given, Bonds to be redeemed will become due and payable on the redemption date, and on and after such date (unless the District shall default in payment of the redemption price), such Bonds shall cease to bear interest.

Issuance of Additional Debt

The District's voters have authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one-half times the amount of outstanding water, wastewater and drainage bonds issued by the District. After the issuance of the Bonds, the District will have \$35,930,325.88 in principal amount of unlimited tax bonds authorized but unissued for refunding outstanding debt of the District. In addition, the District's voters have authorized the issuance of \$40,000,000 of unlimited tax bonds for purpose of purchasing, constructing, acquiring, owning, leasing, operating, repairing or extending facilities for a waterworks, sanitary sewer and drainage system, making certain contract payments, and paying various expenses of the District, and could authorize additional amounts. The District currently has \$3,555,000 in principal amount of unlimited tax bonds authorized but unissued for such purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount that may ultimately be issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

The District reserves its right to issue a conditional notice of redemption that complies with the provisions contained herein and may also condition the redemption on certain subsequent events, as specified in the Bond Order.

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 park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park 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 park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

The issuance of additional debt for any of the above described purposes and levy of taxes to pay debt service on such debt may dilute the security for the Bonds.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District.

Tax Pledge: The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax, without legal limit as to rate or amount, and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, with full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such a tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in the Bond Fund for the Bonds and other tax-supported debt of the District. This account may be used solely to pay the principal of and interest on the Bonds and other tax-supported debt of the District.

Annexation: Under Texas law, a city is authorized to annex property within its extraterritorial jurisdiction and to abolish the municipal utility district in which such property is located, subject to compliance with various requirements of the Texas Local Government Code. A city in a county with a population of 500,000 or more may not annex land unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a city and a municipal utility district existing within its extraterritorial jurisdiction have entered into a strategic partnership agreement, however, the election and petition process specified above do not apply during the term of the agreement. The agreement may provide for a full purpose annexation or a limited purpose annexation. See "THE DISTRICT—Strategic Partnership Agreement."

The District is located within Harris County, a county with a population of 500,000 or more, and within the extraterritorial jurisdiction of the City of Houston (the “City”). If the City were to successfully meet the requirements set forth in the Texas Local Government Code and annex the property within the District, the City would assume the District’s assets and obligations (including the Bonds) and dissolve the District. The commencement of annexation proceedings by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See “THE DISTRICT—Strategic Partnership Agreement.”

Consolidation: A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Defeasance: Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the stated maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date shall have been made or shall have been provided for by deposit with the Paying Agent/Registrar for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and governmental obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/Registrar.

At such times as a Bond shall be deemed to be paid, as aforesaid, it shall no longer be entitled to the benefits of the Bond Order, except for the purposes of any such payment from such money or Governmental Obligations. “Governmental Obligations” as used herein means (1) direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Governing Body 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, or (3) noncallable obligations of a state or agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Governing Body 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, but in the case of each of Clauses (1), (2), and (3), only if such obligations may not be called for redemption prior to maturity.

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.

Additional Covenants

In the Bond Order, the District has additionally covenanted that it will (1) maintain insurance on its facilities of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled, (2) keep accurate records and accounts and engage an independent certified public accountant to audit its financial statements at the close of each fiscal year, such audit to be in accordance with applicable law, rules and regulations, and open to inspection in the office of the District during normal office hours, (3) maintain its facilities in good condition and repair, ordinary wear and tear and obsolescence excepted, and operate its facilities in an efficient manner and at a reasonable cost and (4) secure the Bond Fund in the manner and to the fullest extent required by law for the security of District funds.

Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States of arbitrage profits from the investment of proceeds, and the reporting of certain information to the United States Treasury.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owner, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Registered Owner of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Registered Owner of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the stated maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding Bonds", or (4) modify any of the provisions of the Bond Order governing amendments, except to increase the percentage provided therein or to provide that certain other provisions of the Bond Order cannot be modified or waived.

Remedies in Event of Default

The Bond Order provides that, in addition to all other rights and remedies of any Registered Owners provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Order provides no additional remedies to a Registered Owner. Specifically, the Bond Order does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in any improvements or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision or by a state statute reasonably required to attain an important public purpose. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE DISTRICT

General

The District is a conservation and reclamation district created by order of the Texas Water Rights Commission (predecessor to the TCEQ) on August 15, 1973, in accordance with the pertinent provisions of Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended.

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

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City that limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire-fighting facilities, roads, park and recreational 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 District construction plans; and permit connections only to platted lots and reserves which have been approved by the City's Planning Commission.

Description and Location

The District is comprised of approximately 717 acres of land located approximately 22 miles west of the central downtown business district of the City of Houston. Access to the District is provided by Interstate Highway 10 to Mason Road. The District lies wholly within the boundaries of Katy Independent School District. The entire District is currently within the extraterritorial jurisdiction of the City; however, the District entered into a Strategic Partnership Agreement in April 2003, pursuant to the terms of which a portion (commercial and retail) was annexed by the City for limited purposes only. See "Strategic Partnership Agreement" below.

Land Use

Water, sanitary sewer and drainage facilities have been constructed to serve the entire District, including approximately 160 acres developed for single-family residential purposes, approximately 75 acres developed for multi-family purposes, and approximately 394 acres developed as commercial reserves. The District also has approximately 88 acres of plant sites, easements and rights-of-way.

Status of Development

Development and construction which has previously occurred is as follows:

The approximately 160 acres of single-family residential development includes Westgreen, Sections 1 through 3 and Westborough Subdivision (collectively containing approximately 796 single-family residential lots). Values of houses in these sections are on the tax rolls of the District for the 2018 tax year averaging from approximately \$75,000 to \$115,000. As of February 8, 2019, the District had approximately 794 occupied single-family connections and two vacant single-family connections.

Multi-family development in the District includes five apartment complexes: Bent Tree Apartments (291 apartment units, 93% occupancy rate); Westborough Crossing Apartments (274 apartment units, 95% occupancy rate); Kenwood Club Apartments (320 apartment units, 92% occupancy rate); Providence Place Apartments (252 senior living apartment units, 97% occupancy rate) and The District at Westborough Apartments (340 apartment units, 92% occupancy rate).

The District has approximately 69 commercial users. The largest commercial user is Academy Sports and Outdoors (“Academy”), a national sporting goods company, with an approximately 1,160,000 square foot warehouse/distribution facility and corporate office, including an additional 200,000 square foot bulk storage facility. See “PRINCIPAL PROPERTY OWNERS.” Other large commercial/mixed-use developments include Westborough and Prime West. Westborough, a commercial, single-family and multi-family development, includes the all of the Westborough single-family subdivision and four of the multi-family development apartment complexes described above, Ferguson Plumbing, Katy Furniture, a strip center, a fast food restaurant/service station, two churches (both tax-exempt) and a post office (tax-exempt), and other retail and service establishments. Prime West, a commercial and multi-family development, includes one of the multi-family development apartment complexes described above, an approximately 60,000 square foot warehouse facility owned by the Ashton Framing Company, an electrical equipment company, Knight Transportation trucking facility, an approximately 110,000 square foot office/warehouse facility, a State Farm Insurance facility, a private daycare center, and other retail and service establishments. In addition to these commercial developments, the District contains a gas station with a fast food restaurant, a strip center known as Gardens at Westgreen, which contains a spa, restaurants and other establishments, and a Presbyterian Church (tax-exempt). Mason Creek Office Corporate Park consists of five buildings with approximately 385,000 square feet of office/warehouse space owned by Transwestern, an approximately 140,000 square foot, two story office building owned and occupied by Geico Insurance, the Berkeley Eye Center, an approximately 14,000 square foot event center owned by Noah’s, an approximately 140,000 square foot, three story office building, a 23,000 square foot multi-tenant strip center, and an approximately 97,000 square foot office building.

Westgreen I-10 East contains six restaurant pad sites including a BJ’s Brewhouse, Longhorn Steakhouse, Uncle Julio’s and Newks Eatery, a bank and a gas station. Best Western (92 rooms) is located on approximately three acres of land in the District and a BMW auto dealership on approximately eight acres was completed. Texas CMO Dermatology has constructed a medical office building on approximately two acres in the District.

Strategic Partnership Agreement

Effective April 2003, the District entered into a Strategic Partnership Agreement with the City of Houston (the “City”) as authorized by Texas Local Government Code Chapter 43 (the “SPA”). The SPA provides for a “limited purpose annexation” of that portion of the District developed for retail and commercial purposes for purposes of applying certain City health, safety, planning and zoning ordinances within the District. The portion of the District consisting of residential development is not subject to the SPA. The SPA also provides that the City will not annex the District for “full purposes” (a traditional municipal annexation) for at least 30 years.

As a result of the SPA, the City is authorized to impose a one percent retail City sales tax within the portion of the District included in the limited purpose annexation. Pursuant to the SPA, the City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Texas Comptroller of Public Accounts (herein defined as the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use the Sales Tax Revenue generated pursuant to the SPA for any lawful purpose.

None of the anticipated Sales Tax Revenue is pledged toward the payment of principal of and interest on the Bonds.

PRINCIPAL PROPERTY OWNERS

Principal Property Owners

The following is a brief description of the largest property owners in the District. See “INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers” and “TAX DATA—Principal Taxpayers.”

Academy Sports and Outdoors (“Academy”) owns the personal property located in the 1,160,000 square foot warehouse/distribution/corporate office facility and an additional 200,000 square foot bulk storage facility. Cole as Katy TX LP (“Cole”) c/o Academy Sports and Outdoors, an entity related to Academy, owns the land and the distribution/warehouse buildings on approximately 97 acres of land in the District used by Academy. Moody National Academy DST (“Moody”), an entity related to Academy, owns the corporate office buildings, parking garage and auditorium used by Academy. Academy is a sporting goods retailer operating over 90 stores across the southeast United States. Academy is a Texas limited partnership, whose general partner is Academy Managing Co., L.L.C., a Texas limited liability company. No financial information concerning Academy, Cole or Moody is publicly available. The Academy facility, including the land on which the facility is located and the personal property in the facility, represents \$289,290,314 or 33.69% of the District's 2018 Certified Taxable Assessed Valuation. See “TAX DATA—Principal Taxpayers” and “INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers.”

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held on the first Saturday of May in even numbered years only. One Director resides within the District, and the other four own land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Connolly	President	2022
Michael McCall	Vice President	2020
Sandra Brown	Secretary	2020
Estela Franco	Asst. Secretary	2022
Bruce Anderson	Asst. Secretary	2022

The District contracts for certain necessary services as described below:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Assessments of the Southwest is currently serving in this capacity for the District.

System Operator

The District contracts with Municipal District Services (the "Operator"), for maintenance and operation of the District's system.

Bookkeeper

The District contracts with VLB Bookkeeping Services (the "Bookkeeper") for bookkeeping services for the District.

Engineer

The consulting engineer for the District is IDS Engineering Group, Houston, Texas (the "Engineer").

Auditor

The financial statements of the District as of September 30, 2018, and for the year ended, included in this Official Statement, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2018 financial statements.

Bond Counsel and General Counsel

The District has engaged Norton Rose Fulbright US LLP as general counsel to the District and as Bond Counsel in connection with the issuance of District bonds. The fees of Norton Rose Fulbright US LLP, as Bond Counsel, are contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

THE SYSTEM

Regulation

The District's improvements have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of Harris County, the City, Harris County Flood Control District, and the Harris-Galveston Coastal Subsidence District, where applicable. Construction of the proposed facilities is subject to inspection by the TCEQ, the City and Harris County. Each of the aforementioned agencies exercises continuing jurisdiction over the District's facilities.

Water Supply

The District's water supply is provided by two water supply plants. Water Plant No. 1 serves the western half of the District. Such plant consists of a 1,500 gallon per minute (gpm) water well, a 1,000,000 gallon ground water storage tank, 7,500 gpm of booster pump capacity, and 15,000 gallons of hydropneumatic tank capacity. Water Plant No. 2 serves the eastern half of the District. Such plant consists of 2,000 gpm water well and pump, a 1,000,000 gallon ground water storage tank, 5,500 gpm of booster pump capacity and 40,000 gallons of hydropneumatic tank capacity. In addition a 750,000 gallon elevated storage tank has been constructed. Both water supply plants are equipped with all necessary appurtenances and combined are capable of serving approximately 5,833 equivalent single-family connections ("ESFCs"). The District currently serves approximately 3,000 ESFCs. According to the District's Engineer, the District's existing water supply facilities provide adequate capacity to serve the existing development in the District. The District has entered into emergency water supply contracts with West Harris County Municipal Utility District No. 7, Castlewood Municipal Utility District, and Fry Road Municipal Utility District.

Subsidence District Requirements

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

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$8.75 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Wastewater Treatment

Wastewater treatment for the eastern portion of the District is currently provided by a 1,200,000 gallons per day (“gpd”) wastewater treatment plant jointly owned by the District and Castlewood MUD (the “Castlewood Plant”), which is adjacent to the District. The District’s share of the Castlewood Plant is 660,000 gpd (55%), which is adequate to serve approximately 2,095 ESFCs. In addition, the District has constructed a 700,000 gpd wastewater treatment plant, which provides wastewater treatment to the western portion of the District. According to the Engineer, the District currently serves approximately 3,000 equivalent single-family connections and has adequate capacity to serve approximately 4,317 equivalent single-family connections.

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 one percent chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or one percent chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the land in the District, except the land within the right-of-way of drainage facilities, is within the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Recent Tropical Weather Events; Hurricane Harvey.”

WATER AND SEWER OPERATIONS

General

The Bonds and the Remaining Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although not pledged to the payment of the Bonds, net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant revenues from water and sewer operations will be available for debt service on the Bonds in the foreseeable future.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements. Reference is made to these statements for further and complete information.

	Fiscal Year Ended September 30				
	2018	2017	2016	2015	2014
Revenues					
Property Taxes	\$ 1,236,364	\$ 1,272,470	\$ 1,074,651	\$ 1,041,569	\$ 666,589
Sales Tax Rebate	673,318	531,417	426,527	378,559	279,461
Water Service	514,077	547,421	514,789	462,631	418,952
Sewer Service	481,727	505,226	488,500	467,162	419,225
Bulk Water Sales	-	-	8,951	-	-
Regional Water Fee	669,370	674,409	557,762	466,442	432,264
Penalty and Interest	17,247	27,170	25,244	32,414	27,732
Tap Connection and Inspection Fees	19,601	26,586	159,958	456,323	103,609
Investment Revenues	74,773	32,344	17,791	5,718	5,732
Other	-	40,031	68,656	36,474	28,597
Total Revenues	\$ 3,686,477	\$ 3,657,074	\$ 3,342,829	\$ 3,347,292	\$ 2,382,161
Expenditures					
Purchased Services	\$ 236,977	\$ 220,188	\$ 233,123	\$ 254,660	\$ 248,311
Regional Water Fee	752,879	747,004	628,173	537,677	482,564
Professional Fees	134,748	155,607	167,285	186,039	132,135
Contracted Services	433,145	438,841	429,392	412,477	400,953
Utilities	185,875	187,905	189,290	163,904	181,572
Repairs and Maintenance	694,826	1,026,606	580,580	521,752	483,868
Other	92,883	102,348	88,343	81,060	79,431
Tap Connections	20,300	9,650	76,915	166,797	36,450
Capital Outlay	312,902	75,557	44,260	150,021	87,583
Total Expenditures	\$ 2,864,535	\$ 2,963,706	\$ 2,437,361	\$ 2,474,387	\$ 2,132,867
Revenues Over (Under) Expenditures	\$ 821,942	\$ 693,368	\$ 905,468	\$ 872,905	\$ 249,294
Other Sources (Interfund Transfer)	\$ 30,972	\$ -	\$ -	\$ 23,864	
Fund Balance (Beginning of Year)	\$ 6,063,318	\$ 5,369,950	\$ 4,464,482	\$ 3,567,713	\$ 3,318,419
Fund Balance (End of Year)	\$ 6,916,232	\$ 6,063,318	\$ 5,369,950	\$ 4,464,482	\$ 3,567,713

FINANCIAL STATEMENT

2018 Certified Taxable Assessed Valuation.....	\$858,727,766	(a)
Gross Direct Debt Outstanding	\$22,515,000	(b)
Estimated Overlapping Debt	<u>41,694,417</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$64,209,417	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation	2.62%	
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	7.48%	
Operating Funds Available as of March 8, 2019.....	\$7,981,435	
Debt Service Funds Available as of March 8, 2019	\$2,418,848	(d)
Capital Projects Funds Available as of March 8, 2019	\$2,822,258	(e)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES.
- (b) After the issuance of the Bonds. See "PLAN OF FINANCING —Debt Service Requirements."
- (c) See "FINANCIAL STATEMENT—Estimated Overlapping Debt."
- (d) Neither the Bond Order nor Texas law requires the District to maintain any particulate balance in the Bond Fund.
- (e) Includes \$1,279,000 in surplus construction funds approved by the TCEQ for use in the Water Plant No. 2 rehabilitation.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Katy Independent School District.....	\$ 1,665,950,000	2/28/2019	2.18%	\$ 36,317,710
Harris County.....	2,050,758,022	2/28/2019	0.19%	3,896,440
Harris County Flood Control District.....	83,075,000	2/28/2019	0.20%	166,150
Harris County Hospital District.....	57,300,000	2/28/2019	0.20%	114,600
Harris County Department of Education.....	6,320,000	2/28/2019	0.19%	12,008
Port of Houston Authority.....	593,754,397	2/28/2019	0.20%	1,187,509
Total Estimated Overlapping Debt.....				\$ 41,694,417
The District.....	22,515,000 (a)	Current	100.00%	22,515,000
Total Direct and Estimated Overlapping Debt..				\$ 64,209,417
Ratio of Estimated Direct and Overlapping Debt to 2018 Certified Taxable Assessed Valuation.....				7.48%

(a) Includes the Bonds and the Remaining Outstanding Bonds, but excluding the Bonds refunded thereby.

Overlapping Taxes for 2018

	2018 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.63518
Katy Independent School District.....	1.51660
Harris County ESD No. 47.....	0.09000
Total Overlapping Tax Rate.....	\$ 2.24178
The District.....	0.37000
Total Tax Rate.....	\$ 2.61178

TAX DATA

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2018 in the amount of \$0.22 per \$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Pursuant to an election held on February 15, 1975, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.95 per \$100 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 Remaining Outstanding Bonds, the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2018 in the amount of \$0.15 per \$100 assessed valuation.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.22	\$ 0.25	\$ 0.28	\$ 0.30	\$ 0.34
Maintenance and Operations	0.15	0.16	0.18	0.18	0.21
Total	\$ 0.37	\$ 0.41	\$ 0.46	\$ 0.48	\$ 0.55

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount)
 Maintenance: \$0.95 per \$100 Assessed Valuation

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of March 31, 2019 (a)	
				Amount	Percent
2014	\$ 485,878,293	\$ 0.55	\$ 2,672,331	\$ 2,671,866	99.98%
2015	605,294,441	0.48	2,904,179	2,903,752	99.99%
2016	712,554,435	0.46	3,276,190	3,267,290	99.73%
2017	775,246,666	0.41	3,178,511	3,174,584	99.88%
2018	858,727,766	0.37	3,177,861	3,063,041	96.39%

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

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2019, the District exempted 20% of the appraised value of any residential homestead from taxation and an additional \$50,000 for taxpayers who are disabled or over 65 years of age. Church and public school facilities located in the District are also exempt from taxation by the District.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the 2018 Certified Taxable Assessed Valuation of \$858,727,766, which represents certified ownership as of January 1, 2018. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Taxpayer	Type of Property	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
Academy Sports & Outdoors (a)	Commercial, Personal	\$ 151,970,197	17.70%
Cole AS Katy TX LP (a)	Commercial, Land & Improvements	83,435,516	9.72%
Moody National Academy DST (a)	Commercial, Land & Improvements	53,884,601	6.27%
HELCO District LLC	Apartments, Land & Improvements	35,622,108	4.15%
AHC Station LLC	Apartments, Land & Improvements	30,871,307	3.60%
Spire Merchants Way LP	Office Buildings, Land & Improvements	27,121,290	3.16%
BRE Kenwood MF Property Owner LP	Apartments, Land & Improvements	24,239,039	2.82%
SRE Texas 12 LLC	Commercial, Land & Improvements	21,149,658	2.46%
WBC Westborough Partners LLC	Apartments, Land & Improvements	19,619,877	2.28%
Edgeconnex Houston Holdings LLC	Commercial, Improvements	18,218,650	2.12%
Total		\$ 466,132,243	54.28%

(a) Related entities.

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2016 through 2018 Certified Taxable Assessed Valuations. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2018 Taxable <u>Assessed Valuation</u>	2017 Taxable <u>Assessed Valuation</u>	2016 Taxable <u>Assessed Valuation</u>
Land	\$ 173,939,964	\$ 169,081,923	\$ 166,502,134
Improvements	489,652,640	457,482,755	404,029,528
Personal Property	264,679,505	220,762,695	221,023,507
Exemptions	<u>(69,544,343)</u>	<u>(66,339,765)</u>	<u>(78,986,925)</u>
Total Certified Value	\$ 858,727,766	\$ 780,987,608	\$ 712,568,244

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2018 Certified Taxable Assessed Valuation of \$858,727,766. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of 95% of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2019-2038)	\$1,520,845
\$0.19 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections.....	\$1,550,004
 Maximum Annual Debt Service Requirement (2020).....	 \$1,876,663
\$0.24 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections.....	\$1,957,899

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

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.

Veterans Exemptions: The District must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran’s or surviving spouse’s residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran’s disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse’s residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

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

Additional Homestead Exemptions: The District may by its own action exempt residential homesteads of persons 65 years or older and of 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 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 its obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

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.

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. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three 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 years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. 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 formally to include such values on its appraisal roll.

Reappraisal of Property after Disaster

The Texas Property 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 the 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.

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

Agricultural, Open Space, Timberland and Inventory Deferral

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three to five years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2019 no land within the District was designated for agricultural use, open space, inventory deferral, or timberland.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City (if it were to annex 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 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. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

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 of the amount of the tax for the first calendar month it is delinquent, plus one percent 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 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 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

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

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

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the Participants 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 Effect of FIRREA on Tax Collections of the District

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

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

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

Recent 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. However, according to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. According to the District's Operator, after investigation, it appeared that none of the homes within the District experienced water incursions or other significant damage. In addition, to the knowledge of the District, no commercial improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See "THE SYSTEM."

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial property and multi-family developments. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 22 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development and homebuilding plans in the District and restrain or reduce the growth of the District's property tax base.

Landowner Obligation to the District

There are no commitments from or obligations of any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, the District will increase or maintain its taxable value.

Maximum Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2018 Certified Taxable Assessed Value is \$858,727,766. After issuance of the Bonds, the maximum debt service requirement will be \$1,876,663 (2020), and the average annual debt service requirement will be \$1,520,845 (2019-2038 inclusive). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.24 and \$0.19 per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. See "PLAN OF FINANCING—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

Dependence on Principal Taxpayers

Based upon the 2018 certified tax rolls, the top ten taxpayers were responsible for approximately 54.28% of the District's 2018 taxes (approximately \$466,132,243). Of such amount, approximately 33.69% of the District's 2018 Certified Taxable Assessed Valuation (approximately \$289,290,314) was attributable to the warehouse/distribution/office facility occupied by Academy, including the land on which the facility is located, improvements and personal property. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Bond Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "Tax Collection Limitations" below, "PRINCIPAL PROPERTY OWNERS" and "TAX DATA—Principal Taxpayers."

Personal Property Valuation

Based on the District's 2018 tax rolls, personal property represented approximately 30.82% of the District's 2018 taxable value (approximately \$264,679,505), including the personal property owned by Academy which constitutes a total of \$151,970,197 and represents approximately 17.70% of the District's 2018 Certified Taxable Assessed Valuation. While taxable real property is subject to fluctuation, taxable personal property is mobile and capable of being removed entirely from the District and its tax rolls. To the extent that, because of a general business downturn or factors unique to the taxpayer, Academy ceases to operate in the District and is not replaced by a similar business, the impact on the taxable assessed valuation of the District may be significant. In addition, should Academy vacate its facilities, there may be a limited market for such facility. The District makes no representation regarding the likelihood that personal property currently listed on the District's tax rolls will remain in the District, or regarding the portion of future District tax rolls that will be represented by personal property. See "Dependence on Principal Taxpayers" in this section, and "TAX DATA—Principal Taxpayers."

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. At an election held within the District, voters of the District authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one-half times the amount of outstanding water, wastewater and drainage bonds issued by the District. After the issuance of the Bonds, the District will have \$35,930,325.88 in principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding outstanding District debt. In addition, voters in the District also authorized \$40,000,000 in principal amount of unlimited tax bonds for the purposes of purchasing and constructing a water, wastewater and storm drainage system in the District. The District currently has \$3,555,000 in principal amount of such unlimited tax bonds authorized but unissued. Further additional tax or tax and revenue bonds may be authorized by the District voters in the future, including bonds to construct and acquire parks and recreational facilities or fire-fighting facilities.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to issuance guidelines established by the TCEQ. See “THE BONDS—Issuance of Additional Debt.”

Environmental and Air Quality 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.

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.

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.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL STATEMENT-Overlapping Taxes for 2018”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property).

Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

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. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019, and will conclude on May 27, 2019. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform as an emergency item for the legislative session, with the result that any property tax reform legislation may become effective within the first 60 days of the legislative session. In addition, the Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including (i) a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property in the District and (ii) based upon the examination of such transcript, the legal opinion of Bond Counsel to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's opinion will also address the matters described below under “Tax Exemption.” Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “PLAN OF FINANCING—Escrow Agreement” and “—Defeasance of Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” and “LEGAL MATTERS” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

In addition to serving as Bond Counsel, Norton Rose Fulbright US LLP also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. 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 its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code completely disallows any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer, or deemed designated, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000. A refunding issue is deemed designated as "qualified tax-exempt obligations" to the extent it currently refunds "qualified tax-exempt obligations" and certain additional requirements are satisfied.

A portion of the Bonds satisfies the requirements such that such portion will be deemed designated as "qualified tax-exempt obligations." The District has designated the remainder of the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to Section 291 of the Code.

No Material Adverse Change

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

No-Litigation Certificate

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District, or the titles of the then present officers of the Board.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from S&P and Moody's.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$526 million, \$113 million and \$414 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc.. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$8,398,988.59 (representing the par amount of the Bonds of \$7,930,000.00, plus a net premium on the Bonds of \$528,559.50, less an Underwriter’s discount of \$59,570.91) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

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

Securities Laws

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) City of Houston Ordinance No. 97-416..

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

Engineer: Certain information related to the District's System and certain other information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" have been provided by IDS Engineering Group, the District's consulting engineer, and have been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The financial statements of the District as of September 30, 2018, and for the year ended, included in this Official Statement, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Updating of Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DEBT SERVICE REQUIREMENTS,” “THE SYSTEM,” “WATER AND SEWER OPERATIONS,” “FINANCIAL STATEMENT,” AND “TAX DATA” (most of which information is contained in APPENDIX A (District Audited Financial Statements)). The District will provide this information within six months after the end of each fiscal year ending in or after 2019. If audited financial statements are not available when the information is provided, the District will provide audited financial statements when and if they become available and unaudited financial statements with the financial information and operating data within six months after fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation. The District may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the “SEC”).

The District’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change. If the District fails to provide updated information as described above, it will provide timely notice of the failure to the MSRB.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of

property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like and debt related obligations) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements except as follows:

The District’s Annual Report for the fiscal year ended September 30, 2014, which was filed timely on March 23, 2015, was not properly linked to certain CUSIP numbers for the District’s Unlimited Tax Bonds, Series 2007, 2010A and 2014, and certain CUSIP numbers for the District’s Unlimited Tax Refunding Bonds, Series 2010 and 2012. Such reports were refiled to include the missed CUSIP numbers, and the appropriate notice of late filing was made. The District has established procedures to ensure future disclosures are prepared and submitted in a timely manner.

The District filed its Annual Report on Financial Information and Operating Data on a timely basis for fiscal years 2014, 2015 and 2016; however, such filings did not include the schedule entitled “Tax Adequacy for Debt Service” until the filing for fiscal year 2017 since this information could be derived from the District’s audited financial statements, which were filed timely. The District has since supplemented such filings to include the schedule and adopted procedures to ensure that future filings will include such schedule.

On December 8, 2016, Moody's Investors Service, Inc. upgraded the financial strength rating of the District from "A3" to "A2." The District timely filed an event notice for such rating change on December 14, 2016. However, such filing was not linked to certain CUSIP numbers for the District's Unlimited Tax Bonds, Series 2010A and its Unlimited Tax Refunding Bonds, Series 2010. The ratings upgrade was refiled to include the missed CUSIP numbers, and the appropriate notice of late filing was made. The District has established procedures to ensure future disclosures are prepared and submitted in a timely manner.

The District's continuing disclosure filings are publicly available on EMMA.

MISCELLANEOUS

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

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

/s/ Tim Connolly
President, Board of Directors

ATTEST:

/s/ Sandra Brown
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2018

Weston Municipal Utility District

Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2018



Weston Municipal Utility District
September 30, 2018

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Independent Auditor's Report

Board of Directors
Weston Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Weston Municipal Utility District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Houston, Texas
March 19, 2019

Weston Municipal Utility District

Management's Discussion and Analysis

September 30, 2018

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Weston Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Weston Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2018	2017
Current and other assets	\$ 13,079,567	\$ 12,200,208
Capital assets	20,370,386	20,768,508
Total assets	33,449,953	32,968,716
Deferred outflows of resources	93,367	109,071
Total assets and deferred outflows of resources	\$ 33,543,320	\$ 33,077,787
Long-term liabilities	\$ 22,409,503	\$ 23,615,654
Other liabilities	778,405	714,458
Total liabilities	23,187,908	24,330,112
Net position:		
Net investment in capital assets	1,107,207	402,382
Restricted	2,224,614	2,189,836
Unrestricted	7,023,591	6,155,457
Total net position	\$ 10,355,412	\$ 8,747,675

The total net position of the District increased by \$1,607,737, or about 18 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Weston Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues:		
Property taxes	\$ 3,179,953	\$ 3,275,298
Sales tax rebates	644,555	572,532
Charges for services	1,665,174	1,727,056
Other revenues	263,095	182,786
	<hr/>	<hr/>
Total revenues	5,752,777	5,757,672
	<hr/>	<hr/>
Expenses:		
Services	2,593,041	2,979,017
Depreciation	700,508	700,441
Debt service	851,491	874,835
	<hr/>	<hr/>
Total expenses	4,145,040	4,554,293
	<hr/>	<hr/>
Change in net position	1,607,737	1,203,379
Net position, beginning of year	8,747,675	7,544,296
	<hr/>	<hr/>
Net position, end of year	<u>\$ 10,355,412</u>	<u>\$ 8,747,675</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2018, were \$12,281,993, an increase of \$784,427 from the prior year.

The general fund's fund balance increased by \$852,914. This increase was primarily related to property taxes, sales tax rebates and service revenues in excess of service operations and capital outlay expenditures.

The debt service fund's fund balance decreased by \$5,316, primarily due to bond principal and interest requirements being greater than property tax revenues generated.

The capital projects fund's fund balance decreased by \$63,171. This net decrease was primarily due to capital outlay expenditures being in excess of investment income.

Weston Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to repairs and maintenance and capital outlay expenditures being higher than anticipated while property taxes and penalty and interest revenues and regional water fee expenditures were lower than anticipated. In addition, proceeds received from insurance were not included in the current year budget. The fund balance as of September 30, 2018, was expected to be \$7,057,494 and the actual end-of-year fund balance was \$6,916,232.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2018	2017
Land and improvements	\$ 6,080,446	\$ 6,080,446
Construction in progress	332,492	33,000
Water facilities	6,068,031	6,400,041
Wastewater facilities	7,889,417	8,255,021
Total capital assets	\$ 20,370,386	\$ 20,768,508

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

Construction in progress related to East water plant rehabilitation and Castlewood wastewater treatment plant lift station rehabilitation	\$ 299,492
Engineering related to 12" water line extension serving Mason Creek Corporate, Section 4	2,894
Total additions to capital assets	\$ 302,386

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows.

Weston Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

Long-term debt payable, beginning of year	\$ 23,615,654	
Decreases in long-term debt	(1,206,151)	
Long-term debt payable, end of year	\$ 22,409,503	

At September 30, 2018, the District had \$3,555,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A2" from Moody's Investors Service (Moody's) and a rating of "A" from Standard & Poor's (S&P). The Series 2010 refunding bonds carry an "AA" rating from S&P by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2012 refunding and Series 2015A bonds carry an "AA" rating from S&P by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 and Series 2015 refunding bonds carry an "AA" rating from S&P by virtue of bond insurance issued by Build America Mutual Assurance Co.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District.

Strategic Partnership Agreement

Effective March 10, 2003, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district, as provided by law. As consideration for the District providing services detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years.

Weston Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 946,241	\$ 445,433	\$ 2,196,181	\$ 3,587,855	\$ -	\$ 3,587,855
Certificates of deposit	5,019,732	1,033,957	1,500,000	7,553,689	-	7,553,689
Short-term investments	1,282,750	209,008	6,011	1,497,769	-	1,497,769
Receivables:						
Property taxes	20,030	31,686	-	51,716	-	51,716
Service accounts	79,322	-	-	79,322	-	79,322
Sales tax rebates	105,442	-	-	105,442	47,860	153,302
Other	-	-	-	-	39,469	39,469
Due from others	16,745	-	-	16,745	-	16,745
Accrued penalty and interest	-	-	-	-	14,660	14,660
Accrued interest	6,347	2,680	7,828	16,855	-	16,855
Interfund receivable	24,826	-	-	24,826	(24,826)	-
Prepaid expenditures	68,185	-	-	68,185	-	68,185
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	6,080,446	6,080,446
Construction in progress	-	-	-	-	332,492	332,492
Infrastructure	-	-	-	-	13,957,448	13,957,448
Total assets	<u>7,569,620</u>	<u>1,722,764</u>	<u>3,710,020</u>	<u>13,002,404</u>	<u>20,447,549</u>	<u>33,449,953</u>
Deferred Outflows of Resources						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,367</u>	<u>93,367</u>
Total assets and deferred outflows of resources	<u>\$ 7,569,620</u>	<u>\$ 1,722,764</u>	<u>\$ 3,710,020</u>	<u>\$ 13,002,404</u>	<u>\$ 20,540,916</u>	<u>\$ 33,543,320</u>

Weston Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 291,812	\$ 10,511	\$ -	\$ 302,323	\$ -	\$ 302,323
Accrued interest payable	-	-	-	-	134,536	134,536
Customer deposits	293,238	-	-	293,238	-	293,238
Unearned tap connection fees	48,308	-	-	48,308	-	48,308
Interfund payable	-	24,826	-	24,826	(24,826)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,135,000	1,135,000
Due after one year	-	-	-	-	21,274,503	21,274,503
Total liabilities	633,358	35,337	0	668,695	22,519,213	23,187,908
Deferred Inflows of Resources						
Deferred property tax revenues	20,030	31,686	0	51,716	(51,716)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	11,192	-	-	11,192	(11,192)	-
Restricted:						
Unlimited tax bonds	-	1,655,741	-	1,655,741	(1,655,741)	-
Water and sewer	-	-	3,710,020	3,710,020	(3,710,020)	-
Assigned, operating reserve	56,993	-	-	56,993	(56,993)	-
Unassigned	6,848,047	-	-	6,848,047	(6,848,047)	-
Total fund balances	6,916,232	1,655,741	3,710,020	12,281,993	(12,281,993)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 7,569,620	\$ 1,722,764	\$ 3,710,020	\$ 13,002,404		
Net position:						
Net investment in capital assets					1,107,207	1,107,207
Restricted for debt service					1,567,551	1,567,551
Restricted for capital projects					657,063	657,063
Unrestricted					7,023,591	7,023,591
Total net position					\$ 10,355,412	\$ 10,355,412

Weston Municipal Utility District
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,236,364	\$ 1,932,035	\$ -	\$ 3,168,399	\$ 11,554	\$ 3,179,953
Sales tax rebates	673,318	-	-	673,318	(28,763)	644,555
Water service	514,077	-	-	514,077	-	514,077
Sewer service	481,727	-	-	481,727	-	481,727
Regional water fee	669,370	-	-	669,370	-	669,370
Penalty and interest	17,247	56,034	-	73,281	4,552	77,833
Tap connection and inspection fees	19,601	-	-	19,601	-	19,601
Investment income	74,773	26,960	24,459	126,192	-	126,192
Other income	-	-	-	-	39,469	39,469
Total revenues	<u>3,686,477</u>	<u>2,015,029</u>	<u>24,459</u>	<u>5,725,965</u>	<u>26,812</u>	<u>5,752,777</u>
Expenditures/Expenses						
Service operations:						
Purchased services	236,977	-	-	236,977	-	236,977
Regional water fee	752,879	-	-	752,879	-	752,879
Professional fees	134,748	15,878	-	150,626	-	150,626
Contracted services	433,145	40,480	-	473,625	-	473,625
Utilities	185,875	-	-	185,875	-	185,875
Repairs and maintenance	694,826	-	-	694,826	(17,562)	677,264
Other expenditures	92,883	2,482	130	95,495	-	95,495
Tap connections	20,300	-	-	20,300	-	20,300
Capital outlay	312,902	-	87,500	400,402	(400,402)	-
Depreciation	-	-	-	-	700,508	700,508
Debt service:						
Principal retirement	-	1,125,000	-	1,125,000	(1,125,000)	-
Interest and fees	-	836,505	-	836,505	14,986	851,491
Total expenditures/expenses	<u>2,864,535</u>	<u>2,020,345</u>	<u>87,630</u>	<u>4,972,510</u>	<u>(827,470)</u>	<u>4,145,040</u>
Excess (Deficiency) of Revenues						
Over Expenditures	821,942	(5,316)	(63,171)	753,455	854,282	
Other Financing Sources						
Insurance proceeds	<u>30,972</u>	<u>-</u>	<u>-</u>	<u>30,972</u>	<u>(30,972)</u>	
Excess (Deficiency) of Revenues and						
Other Financing Sources Over						
Expenditures and Other Financing						
Uses	852,914	(5,316)	(63,171)	784,427	(784,427)	
Change in Net Position						
					1,607,737	1,607,737
Fund Balances/Net Position						
Beginning of year	<u>6,063,318</u>	<u>1,661,057</u>	<u>3,773,191</u>	<u>11,497,566</u>	<u>-</u>	<u>8,747,675</u>
End of year	<u>\$ 6,916,232</u>	<u>\$ 1,655,741</u>	<u>\$ 3,710,020</u>	<u>\$ 12,281,993</u>	<u>\$ 0</u>	<u>\$ 10,355,412</u>

Weston Municipal Utility District

Notes to Financial Statements

September 30, 2018

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

Weston Municipal Utility District (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective August 15, 1973, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2018, include collections during the current period or within 60 days of year-end related to the 2017 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2018, the 2017 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

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

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 20,370,386
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	51,716
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	14,660
Tax rebates are not receivable in the current period and are not reported in the funds.	47,860
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	93,367

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (134,536)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(22,409,503)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (1,966,050)</u>

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

Change in fund balances.	\$ 784,427
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current period.	(313,516)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,125,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	26,812
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(14,986)</u>
Change in net position of governmental activities.	<u>\$ 1,607,737</u>

Note 2: Deposits, Investments and Investment Income

Deposits

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

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

At September 30, 2018, \$756,178 of the District's bank balances were exposed to custodial credit risk as uninsured and uncollateralized deposits.

Investments

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

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

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At September 30, 2018, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	<u>\$ 1,497,769</u>	<u>\$ 1,497,769</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2018, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2018, as follows:

Carrying value:		
Deposits	\$	11,141,544
Investments		<u>1,497,769</u>
Total	\$	<u><u>12,639,313</u></u>

Included in the following statement of net position captions:

Cash	\$	3,587,855
Certificates of deposit		7,553,689
Short-term investments		<u>1,497,769</u>
Total	\$	<u><u>12,639,313</u></u>

Investment Income

Investment income of \$126,192 for the year ended September 30, 2018, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2018, is presented below.

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 6,080,446	\$ -	\$ 6,080,446
Construction in progress	<u>33,000</u>	<u>299,492</u>	<u>332,492</u>
Total capital assets, non-depreciable	<u>6,113,446</u>	<u>299,492</u>	<u>6,412,938</u>

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ 11,269,462	\$ 2,894	\$ 11,272,356
Wastewater collection and treatment facilities	11,464,319	-	11,464,319
Total capital assets, depreciable	<u>22,733,781</u>	<u>2,894</u>	<u>22,736,675</u>
Less accumulated depreciation:			
Water production and distribution facilities	(4,869,421)	(334,904)	(5,204,325)
Wastewater collection and treatment facilities	(3,209,298)	(365,604)	(3,574,902)
Total accumulated depreciation	<u>(8,078,719)</u>	<u>(700,508)</u>	<u>(8,779,227)</u>
Total governmental activities, net	<u>\$ 20,768,508</u>	<u>\$ (398,122)</u>	<u>\$ 20,370,386</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2018, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 23,840,000	\$ 1,125,000	\$ 22,715,000	\$ 1,135,000
Less discounts on bonds	404,797	15,690	389,107	-
Add premiums on bonds	95,845	12,235	83,610	-
	<u>23,531,048</u>	<u>1,121,545</u>	<u>22,409,503</u>	<u>1,135,000</u>
Due to developer	<u>84,606</u>	<u>84,606</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 23,615,654</u>	<u>\$ 1,206,151</u>	<u>\$ 22,409,503</u>	<u>\$ 1,135,000</u>

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

General Obligation Bonds

	Refunding Series 2010	Series 2010A
Amounts outstanding, September 30, 2018	\$850,000	\$8,180,000
Interest rates	2.00% to 3.25%	2.50% to 4.50%
Maturity dates, serially beginning/ending	August 1, 2019/2021	August 1, 2019/2032
Interest payment dates	February 1/ August 1	February 1/ August 1
Callable dates*	August 1, 2019	August 1, 2019
	Refunding Series 2012	Series 2014
Amounts outstanding, September 30, 2018	\$735,000	\$7,525,000
Interest rates	2.000% to 2.125%	2.00% to 4.00%
Maturity dates, serially beginning/ending	August 1, 2019/2021	August 1, 2019/2038
Interest payment dates	February 1/ August 1	February 1/ August 1
Callable dates*	August 1, 2019	August 1, 2022
	Refunding Series 2015	Series 2015A
Amounts outstanding, September 30, 2018	\$2,100,000	\$3,325,000
Interest rates	2.00% to 3.00%	2.000% to 3.625%
Maturity dates, serially beginning/ending	August 1, 2019/2025	August 1, 2019/2038
Interest payment date	February 1/ August 1	February 1/ August 1
Callable dates*	August 1, 2023	August 1, 2022

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

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2018:

Year	Principal	Interest	Total
2019	\$ 1,135,000	\$ 807,217	\$ 1,942,217
2020	1,150,000	780,967	1,930,967
2021	1,160,000	751,186	1,911,186
2022	1,175,000	719,931	1,894,931
2023	1,220,000	681,181	1,901,181
2024-2028	6,400,000	2,747,162	9,147,162
2029-2033	6,100,000	1,524,384	7,624,384
2034-2038	4,375,000	507,376	4,882,376
Total	<u>\$ 22,715,000</u>	<u>\$ 8,519,404</u>	<u>\$ 31,234,404</u>

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

Bonds voted	\$ 40,000,000
Bonds sold	36,445,000
Refunding bonds voted	60,000,000
Refunding bond authorization used	15,135,000

Note 5: Significant Bond Order and Commission Requirements

- A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2018, the District levied an ad valorem debt service tax at the rate of \$0.2500 per \$100 of assessed valuation, which resulted in a tax levy of \$1,952,469 on the taxable valuation of \$780,987,608 for the 2017 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$1,957,255.
- B. The Commission required the District to escrow \$2,168,000 from the proceeds of its Series 2003 bonds. In prior years, \$2,146,160 was released from escrow. As of September 30, 2018, the remaining balance of \$21,840 was invested in a money market account.

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

- C. The Bond Orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefore, the District shall not be required to carry such insurance. At September 30, 2018, the District had real and personal property and boiler and machinery coverage in the amount of \$15,199,441 each, general liability insurance with an aggregate limit of \$10,000,000 and pollution liability coverage of \$2,000,000.

Note 6: Maintenance Taxes

At an election held February 15, 1975, voters authorized a maintenance tax not to exceed \$0.95 per \$100 valuation on all property within the District subject to taxation. During the year ended September 30, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.1600 per \$100 of assessed valuation, which resulted in a tax levy of \$1,249,580 on the taxable valuation of \$780,987,608 for the 2017 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Strategic Partnership Agreement

Effective March 10, 2003, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement), under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$644,555 in revenues related to the Agreement.

Note 8: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the

Weston Municipal Utility District
Notes to Financial Statements
September 30, 2018

Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of September 30, 2018, the Authority was billing the District \$2.70 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

Note 9: Contracts With Other Districts

Waste Disposal Contract

On March 5, 1982, the District entered into a 40-year waste disposal contract with Castlewood Municipal Utility District (Castlewood) for the construction and operation of a regional wastewater treatment plant (the Plant). The contract was amended on October 21, 2010. Under the terms of the contract, Castlewood is to maintain and operate the Plant, and the District has agreed to pay its pro rata share of costs. The allocation of operation and maintenance expenditures is primarily based on capacity with certain variable expenditures allocated by the number of connections in the respective districts. During a prior year, Castlewood purchased 100,000 gpd of surplus capacity from the District for \$300,000. Castlewood's current share of capacity in the Plant is 45 percent and the District's share is 55 percent. During the current year, the District's share of maintenance and operation costs was \$236,977.

Condensed audited financial information of the joint venture, audited by another public accounting firm, as of and for the year ended June 30, 2018, is as shown below.

Total assets	\$	109,317
Total liabilities	\$	109,317
Total fund balance		-
Total liabilities and fund balance	\$	109,317
Total revenues	\$	460,230
Total expenditures		460,230
Excess revenues	\$	0

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Required Supplementary Information

Weston Municipal Utility District
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,275,834	\$ 1,286,644	\$ 1,236,364	\$ (50,280)
Sales tax rebate	475,000	675,000	673,318	(1,682)
Water service	596,651	503,164	514,077	10,913
Sewer service	508,907	475,638	481,727	6,089
Regional water fee	881,114	683,373	669,370	(14,003)
Penalty and interest	76,592	63,600	17,247	(46,353)
Tap connection and inspection fees	2,500	6,000	19,601	13,601
Investment income	21,225	41,000	74,773	33,773
Total revenues	3,837,823	3,734,419	3,686,477	(47,942)
Expenditures				
Service operations:				
Purchased services	228,316	227,546	236,977	(9,431)
Regional water fee	920,122	805,302	752,879	52,423
Professional fees	164,250	146,250	134,748	11,502
Contracted services	451,450	447,646	433,145	14,501
Utilities	204,814	208,534	185,875	22,659
Repairs and maintenance	605,394	598,620	694,826	(96,206)
Other expenditures	103,658	111,345	92,883	18,462
Tap connections	-	-	20,300	(20,300)
Capital outlay	190,000	195,000	312,902	(117,902)
Total expenditures	2,868,004	2,740,243	2,864,535	(124,292)
Excess of Revenues Over Expenditures	969,819	994,176	821,942	(172,234)
Other Financing Sources				
Insurance proceeds	-	-	30,972	30,972
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	969,819	994,176	852,914	(141,262)
Fund Balance, Beginning of Year	6,063,318	6,063,318	6,063,318	-
Fund Balance, End of Year	\$ 7,033,137	\$ 7,057,494	\$ 6,916,232	\$ (141,262)

Weston Municipal Utility District
Notes to Required Supplementary Information
September 30, 2018

Budgets and Budgetary Accounting

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

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

Other Information

Weston Municipal Utility District
Other Schedules Included Within This Report
September 30, 2018

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-25
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Weston Municipal Utility District
Schedule of Services and Rates
Year Ended September 30, 2018

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 15.00	10,000	N	\$ 1.30	10,001 to No Limit
Wastewater:	\$ 16.50	10,000	N	\$ 1.00	10,001 to No Limit
Regional water fee:	\$ 2.70	1	N	\$ 2.70	1 to No Limit

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

Total charges per 10,000 gallons usage (including fees): Water \$ 42.00 Wastewater \$ 16.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	828	820	x1.0	820
1"	17	16	x2.5	40
1 1/2"	27	26	x5.0	130
2"	67	65	x8.0	520
3"	3	3	x15.0	45
4"	3	3	x25.0	75
6"	5	5	x50.0	250
8"	4	4	x80.0	320
10"	-	-	x115.0	-
Total water	954	942		2,200
Total wastewater	874	866	x1.0	866

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

Gallons pumped into the system:	285,185
Gallons billed to customers:	259,383
Water accountability ratio (gallons billed/gallons pumped):	90.95%

*"ESFC" means equivalent single-family connections

Weston Municipal Utility District
Schedule of General Fund Expenditures
Year Ended September 30, 2018

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	22,700	
Legal		46,084	
Engineering		65,964	
Financial advisor		-	134,748
		<hr/>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			236,977
Regional Water Fee			752,879
Contracted Services			
Bookkeeping		20,395	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		137,105	
Other contracted services		141,812	299,312
		<hr/>	
Utilities			185,875
Repairs and Maintenance			694,826
Administrative Expenditures			
Directors' fees		10,800	
Office supplies		-	
Insurance		34,959	
Other administrative expenditures		47,124	92,883
		<hr/>	
Capital Outlay			
Capitalized assets		299,492	
Expenditures not capitalized		13,410	312,902
		<hr/>	
Tap Connection Expenditures			20,300
Solid Waste Disposal			133,833
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
			<hr/>
Total expenditures		\$	<u><u>2,864,535</u></u>

Weston Municipal Utility District
Schedule of Temporary Investments
September 30, 2018

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 6006203897	1.50%	12/23/18	\$ 2,500,000	\$ -
No. 1003074571	2.00%	03/03/19	1,006,178	1,433
No. 674483131	1.85%	11/17/18	500,000	3,446
No. 66000550	1.35%	09/11/19	1,013,554	1,468
TexPool	2.12%	Demand	1,282,750	-
			<u>6,302,482</u>	<u>6,347</u>
Debt Service Fund				
Certificate of Deposit				
No. 300052271	2.15%	05/03/19	1,033,957	2,680
TexPool	2.12%	Demand	209,008	-
			<u>1,242,965</u>	<u>2,680</u>
Capital Projects Fund				
Certificate of Deposit				
No. 3116000694	1.50%	11/19/18	1,500,000	7,828
TexPool	2.12%	Demand	4,864	-
TexPool	2.12%	Demand	1,147	-
			<u>1,506,011</u>	<u>7,828</u>
Totals			<u>\$ 9,051,458</u>	<u>\$ 16,855</u>

Weston Municipal Utility District
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2018

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 15,516	\$ 24,646
Additions and corrections to prior years' taxes	(8,702)	(13,394)
Adjusted receivable, beginning of year	6,814	11,252
 2017 Original Tax Levy	 1,224,446	 1,913,197
Additions and corrections	25,134	39,272
Adjusted tax levy	1,249,580	1,952,469
Total to be accounted for	1,256,394	1,963,721
Tax collections: Current year	(1,238,229)	(1,934,733)
Prior years	1,865	2,698
Receivable, end of year	\$ 20,030	\$ 31,686
 Receivable, by Years		
2017	\$ 11,351	\$ 17,736
2016	7,508	11,680
2015	160	267
2014	177	287
2013	349	833
2012	108	53
2011	84	172
2010	124	279
2009	82	183
2008	87	196
Receivable, end of year	\$ 20,030	\$ 31,686

Weston Municipal Utility District
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property Valuations				
Land	\$ 169,081,923	\$ 166,502,134	\$ 167,041,306	\$ 135,264,098
Improvements	457,482,755	409,798,301	344,025,440	261,435,851
Personal property	220,762,695	219,976,366	158,356,625	159,495,745
Exemptions	<u>(66,339,765)</u>	<u>(78,436,115)</u>	<u>(59,021,816)</u>	<u>(57,676,819)</u>
Total property valuations	<u>\$ 780,987,608</u>	<u>\$ 717,840,686</u>	<u>\$ 610,401,555</u>	<u>\$ 498,518,875</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.2500	\$ 0.2800	\$ 0.3000	\$ 0.3400
Maintenance tax rates*	<u>0.1600</u>	<u>0.1800</u>	<u>0.1800</u>	<u>0.2100</u>
Total tax rates per \$100 valuation	<u>\$ 0.4100</u>	<u>\$ 0.4600</u>	<u>\$ 0.4800</u>	<u>\$ 0.5500</u>
Tax Levy	<u>\$ 3,202,049</u>	<u>\$ 3,302,067</u>	<u>\$ 2,932,903</u>	<u>\$ 2,746,459</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$0.95 on February 15, 1975

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

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years
September 30, 2018

Due During Fiscal Years Ending September 30	Refunding Series 2010		
	Principal Due August 1	Interest Due February 1, August 1	Total
2019	\$ 275,000	\$ 26,306	\$ 301,306
2020	285,000	18,331	303,331
2021	290,000	9,425	299,425
Totals	\$ 850,000	\$ 54,062	\$ 904,062

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2010A		
	Principal Due August 1	Interest Due February 1, August 1	Total
2019	\$ 50,000	\$ 340,105	\$ 390,105
2020	50,000	338,405	388,405
2021	55,000	336,655	391,655
2022	500,000	334,675	834,675
2023	550,000	316,175	866,175
2024	600,000	295,275	895,275
2025	650,000	271,875	921,875
2026	800,000	245,875	1,045,875
2027	800,000	213,475	1,013,475
2028	825,000	180,675	1,005,675
2029	825,000	146,025	971,025
2030	825,000	110,138	935,138
2031	825,000	74,250	899,250
2032	825,000	37,125	862,125
Totals	<u>\$ 8,180,000</u>	<u>\$ 3,240,728</u>	<u>\$ 11,420,728</u>

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Refunding Series 2012		
	Principal Due August 1	Interest Due February 1, August 1	Total
2019	\$ 250,000	\$ 15,000	\$ 265,000
2020	245,000	10,000	255,000
2021	240,000	5,100	245,100
Totals	\$ 735,000	\$ 30,100	\$ 765,100

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2014		
	Principal Due August 1	Interest Due February 1, August 1	Total
2019	\$ 75,000	\$ 268,781	\$ 343,781
2020	75,000	266,906	341,906
2021	75,000	265,031	340,031
2022	75,000	262,781	337,781
2023	75,000	260,531	335,531
2024	75,000	258,281	333,281
2025	75,000	256,031	331,031
2026	250,000	253,781	503,781
2027	275,000	246,281	521,281
2028	300,000	237,688	537,688
2029	325,000	228,313	553,313
2030	375,000	217,344	592,344
2031	400,000	204,688	604,688
2032	425,000	191,188	616,188
2033	775,000	176,313	951,313
2034	775,000	149,188	924,188
2035	775,000	120,125	895,125
2036	775,000	91,063	866,063
2037	775,000	62,000	837,000
2038	775,000	31,000	806,000
Totals	\$ 7,525,000	\$ 4,047,314	\$ 11,572,314

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Refunding Series 2015		
	Principal Due August 1	Interest Due February 1, August 1	Total
2019	\$ 235,000	\$ 60,650	\$ 295,650
2020	245,000	55,950	300,950
2021	250,000	48,600	298,600
2022	350,000	41,100	391,100
2023	345,000	30,600	375,600
2024	340,000	20,250	360,250
2025	335,000	10,050	345,050
Totals	\$ 2,100,000	\$ 267,200	\$ 2,367,200

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2015A		
	Principal Due August 1	Interest Due February 1, August 1	Total
2019	\$ 250,000	\$ 96,375	\$ 346,375
2020	250,000	91,375	341,375
2021	250,000	86,375	336,375
2022	250,000	81,375	331,375
2023	250,000	73,875	323,875
2024	250,000	66,375	316,375
2025	250,000	58,875	308,875
2026	250,000	51,375	301,375
2027	225,000	43,875	268,875
2028	100,000	37,125	137,125
2029	100,000	34,125	134,125
2030	100,000	31,125	131,125
2031	100,000	27,875	127,875
2032	100,000	24,625	124,625
2033	100,000	21,250	121,250
2034	100,000	17,875	117,875
2035	100,000	14,375	114,375
2036	100,000	10,875	110,875
2037	100,000	7,250	107,250
2038	100,000	3,625	103,625
Totals	<u>\$ 3,325,000</u>	<u>\$ 880,000</u>	<u>\$ 4,205,000</u>

Weston Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,135,000	\$ 807,217	\$ 1,942,217
2020	1,150,000	780,967	1,930,967
2021	1,160,000	751,186	1,911,186
2022	1,175,000	719,931	1,894,931
2023	1,220,000	681,181	1,901,181
2024	1,265,000	640,181	1,905,181
2025	1,310,000	596,831	1,906,831
2026	1,300,000	551,031	1,851,031
2027	1,300,000	503,631	1,803,631
2028	1,225,000	455,488	1,680,488
2029	1,250,000	408,463	1,658,463
2030	1,300,000	358,607	1,658,607
2031	1,325,000	306,813	1,631,813
2032	1,350,000	252,938	1,602,938
2033	875,000	197,563	1,072,563
2034	875,000	167,063	1,042,063
2035	875,000	134,500	1,009,500
2036	875,000	101,938	976,938
2037	875,000	69,250	944,250
2038	875,000	34,625	909,625
Totals	<u>\$ 22,715,000</u>	<u>\$ 8,519,404</u>	<u>\$ 31,234,404</u>

Weston Municipal Utility District
Changes in Long-term Bonded Debt
Year Ended September 30, 2018

	Bond		
	Refunding Series 2010	Series 2010A	Refunding Series 2012
Interest rates	2.00% to 3.25%	2.50% to 4.50%	2.000% to 2.125%
Dates interest payable	February 1/ August 1	February 1/ August 1	February 1/ August 1
Maturity dates	August 1, 2019/2021	August 1, 2019/2032	August 1, 2019/2021
Bonds outstanding, beginning of current year	\$ 1,115,000	\$ 8,230,000	\$ 990,000
Retirements, principal	265,000	50,000	255,000
Bonds outstanding, end of current year	\$ 850,000	\$ 8,180,000	\$ 735,000
Interest paid during current year	\$ 33,594	\$ 341,655	\$ 20,100

Paying agent's name and address:

- Series 2010** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2010A** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2012** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2014** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2015** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2015A** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 40,000,000	0	\$ 60,000,000
Amount issued	\$ 36,445,000	0	\$ 15,135,000
Remaining to be issued	\$ 3,555,000	0	\$ 44,865,000

Debt service fund cash and temporary investment balances as of September 30, 2018: \$ 1,688,398

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,561,720

Issues

Series 2014	Refunding Series 2015	Series 2015A	Totals
2.00% to 4.00%	2.00% to 3.00%	2.000% to 3.625%	
February 1/ August 1	February 1/ August 1	February 1/ August 1	
August 1, 2019/2038	August 1, 2019/2025	August 1, 2019/2038	
\$ 7,600,000	\$ 2,330,000	\$ 3,575,000	\$ 23,840,000
<u>75,000</u>	<u>230,000</u>	<u>250,000</u>	<u>1,125,000</u>
<u>\$ 7,525,000</u>	<u>\$ 2,100,000</u>	<u>\$ 3,325,000</u>	<u>\$ 22,715,000</u>
<u>\$ 270,281</u>	<u>\$ 65,250</u>	<u>\$ 101,375</u>	<u>\$ 832,255</u>

Weston Municipal Utility District
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2018	2017	2016	2015	2014
General Fund					
Revenues					
Property taxes	\$ 1,236,364	\$ 1,272,470	\$ 1,074,651	\$ 1,041,569	\$ 666,589
Sales tax rebates	673,318	531,417	426,527	378,559	279,461
Water service	514,077	547,421	514,789	462,631	418,952
Sewer service	481,727	505,226	488,500	467,162	419,225
Regional water fee	669,370	674,409	557,762	466,442	432,264
Bulk water sales	-	-	8,951	-	-
Penalty and interest	17,247	27,170	25,244	32,414	27,732
Tap connection and inspection fees	19,601	26,586	159,958	456,323	103,609
Investment income	74,773	32,344	17,791	5,718	5,732
Other income	-	40,031	68,656	36,474	28,597
Total revenues	<u>3,686,477</u>	<u>3,657,074</u>	<u>3,342,829</u>	<u>3,347,292</u>	<u>2,382,161</u>
Expenditures					
Service operations:					
Purchased services	236,977	220,188	233,123	254,660	248,311
Regional water fee	752,879	747,004	628,173	537,677	482,564
Professional fees	134,748	155,607	167,285	186,039	132,135
Contracted services	433,145	438,841	429,392	412,477	400,953
Utilities	185,875	187,905	189,290	163,904	181,572
Repairs and maintenance	694,826	1,026,606	580,580	521,752	483,868
Other expenditures	92,883	102,348	88,343	81,060	79,431
Tap connections	20,300	9,650	76,915	166,797	36,450
Capital outlay	312,902	75,557	44,260	150,021	87,583
Total expenditures	<u>2,864,535</u>	<u>2,963,706</u>	<u>2,437,361</u>	<u>2,474,387</u>	<u>2,132,867</u>
Excess of Revenues Over Expenditures	<u>821,942</u>	<u>693,368</u>	<u>905,468</u>	<u>872,905</u>	<u>249,294</u>
Other Financing Sources					
Interfund transfers in	-	-	-	23,864	-
Insurance proceeds	30,972	-	-	-	-
Total other financing sources	<u>30,972</u>	<u>0</u>	<u>0</u>	<u>23,864</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>852,914</u>	<u>693,368</u>	<u>905,468</u>	<u>896,769</u>	<u>249,294</u>
Fund Balance, Beginning of Year	<u>6,063,318</u>	<u>5,369,950</u>	<u>4,464,482</u>	<u>3,567,713</u>	<u>3,318,419</u>
Fund Balance, End of Year	<u>\$ 6,916,232</u>	<u>\$ 6,063,318</u>	<u>\$ 5,369,950</u>	<u>\$ 4,464,482</u>	<u>\$ 3,567,713</u>
Total Active Retail Water Connections	<u>942</u>	<u>931</u>	<u>936</u>	<u>922</u>	<u>880</u>
Total Active Retail Wastewater Connections	<u>866</u>	<u>856</u>	<u>864</u>	<u>856</u>	<u>840</u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
33.5 %	34.8 %	32.1 %	31.1 %	28.0 %
18.3	14.5	12.8	11.3	11.7
13.9	15.0	15.4	13.8	17.6
13.1	13.8	14.6	14.0	17.6
18.2	18.4	16.7	13.9	18.2
-	-	0.3	-	-
0.5	0.7	0.8	1.0	1.2
0.5	0.7	4.8	13.6	4.3
2.0	0.9	0.5	0.2	0.2
-	1.2	2.0	1.1	1.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
6.4	6.0	7.0	7.6	10.4
20.4	20.4	18.8	16.1	20.3
3.7	4.3	5.0	5.6	5.6
11.8	12.0	12.8	12.3	16.8
5.0	5.1	5.7	4.9	7.6
18.8	28.0	17.4	15.6	20.3
2.5	2.8	2.6	2.4	3.3
0.6	0.3	2.3	5.0	1.5
8.5	2.1	1.3	4.5	3.7
<u>77.7</u>	<u>81.0</u>	<u>72.9</u>	<u>74.0</u>	<u>89.5</u>
<u><u>22.3 %</u></u>	<u><u>19.0 %</u></u>	<u><u>27.1 %</u></u>	<u><u>26.0 %</u></u>	<u><u>10.5 %</u></u>

Weston Municipal Utility District
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2018	2017	2016	2015	2014
Debt Service Fund					
Revenues					
Property taxes	\$ 1,932,035	\$ 1,978,722	\$ 1,792,168	\$ 1,683,425	\$ 1,609,132
Penalty and interest	56,034	30,334	9,481	10,670	13,268
Investment income	26,960	12,960	10,614	5,462	2,955
Total revenues	<u>2,015,029</u>	<u>2,022,016</u>	<u>1,812,263</u>	<u>1,699,557</u>	<u>1,625,355</u>
Expenditures					
Current:					
Professional fees	15,878	6,586	3,950	3,472	3,761
Contracted services	40,480	40,174	37,979	41,186	32,727
Other expenditures	2,482	3,265	8,857	2,700	5,193
Debt service:					
Principal retirement	1,125,000	1,110,000	1,105,000	855,000	480,000
Interest and fees	836,505	860,380	890,655	767,337	568,464
Debt issuance costs	-	-	-	119,606	-
Total expenditures	<u>2,020,345</u>	<u>2,020,405</u>	<u>2,046,441</u>	<u>1,789,301</u>	<u>1,090,145</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,316)</u>	<u>1,611</u>	<u>(234,178)</u>	<u>(89,744)</u>	<u>535,210</u>
Other Financing Sources (Uses)					
Deposit with escrow agent	-	-	-	(2,781,320)	-
General obligation bonds issued	-	-	-	2,800,000	274,681
Premium on debt issued	-	-	-	107,769	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>126,449</u>	<u>274,681</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(5,316)</u>	<u>1,611</u>	<u>(234,178)</u>	<u>36,705</u>	<u>809,891</u>
Fund Balance, Beginning of Year	<u>1,661,057</u>	<u>1,659,446</u>	<u>1,893,624</u>	<u>1,856,919</u>	<u>1,047,028</u>
Fund Balance, End of Year	<u>\$ 1,655,741</u>	<u>\$ 1,661,057</u>	<u>\$ 1,659,446</u>	<u>\$ 1,893,624</u>	<u>\$ 1,856,919</u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
95.9 %	97.9 %	98.9 %	99.1 %	99.0 %
2.8	1.5	0.5	0.6	0.8
1.3	0.6	0.6	0.3	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.8	0.3	0.2	0.2	0.3
2.0	2.0	2.1	2.4	2.0
0.1	0.2	0.5	0.2	0.3
55.9	54.8	61.0	50.3	29.5
41.5	42.6	49.1	45.2	35.0
-	-	-	7.0	-
<u>100.3</u>	<u>99.9</u>	<u>112.9</u>	<u>105.3</u>	<u>67.1</u>
<u><u>(0.3) %</u></u>	<u><u>0.1 %</u></u>	<u><u>(12.9) %</u></u>	<u><u>(5.3) %</u></u>	<u><u>32.9 %</u></u>

Weston Municipal Utility District
Board Members, Key Personnel and Consultants
Year Ended September 30, 2018

Complete District mailing address:	Weston Municipal Utility District c/o Norton Rose Fulbright US LLP 1301 McKinney, Suite 5100 Houston, Texas 77010-3095
District business telephone number:	713.651.5151
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>September 19, 2018</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Timothy J. Connolly	Elected 05/18- 05/22	\$ 2,550	\$ 119	President
Michael McCall	Elected 05/16- 05/20	1,650	651	Vice President
Sandra R. Brown	Elected 05/16- 05/20	3,450	689	Secretary
Bruce Anderson	Elected 05/18- 05/22	2,700	3,023	Assistant Secretary
Estela Franco	Appointed 05/18- 05/22	450	11	Assistant Secretary
Clarence Howard	Elected 05/14- 03/18	0	0	Resigned

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

Weston Municipal Utility District
Board Members, Key Personnel and Consultants (Continued)
Year Ended September 30, 2018

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	09/12/85	\$ 22,700	Auditor
Harris County Appraisal District	Legislative Action	23,691	Appraiser
Hilltop Securities Inc.	05/10/96	0	Former Financial Advisor
IDS Engineering Group, Inc.	01/08/16	225,919	Engineer
Thomas W. Lee, RTA	03/10/00	18,122	Tax Assessor/ Collector
Masterson Advisors LLC	05/11/18	0	Financial Advisor
Municipal District Services, LLC	03/01/12	609,425	Operator
Norton Rose Fulbright US LLP	11/15/74	47,970	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	10/01/85	15,878	Delinquent Tax Attorney
VLB Bookkeeping Services	01/09/09	24,001	Bookkeeper
Investment Officer			
Vicki Busboom	04/17/09	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN