OFFICIAL STATEMENT DATED JUNE 10, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE WOODLANDS ROAD UTILITY DISTRICT NO. 1. IN THE OPINION OF SPECIAL TAX COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND THE BONDS ARE NOT "PRIVATE ACTIVITY BONDS." SEE "TAX MATTERS-TAX EXEMPTION" FOR A DISCUSSION OF THE OPINION OF SPECIAL TAX COUNSEL.

*THE BONDS HAVE **NOT** BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.*

NEW ISSUE-Book-Entry Only

Rating: Moody's "Aa3"
See "MUNICIPAL BOND RATING" herein.

$14,640,000
THE WOODLANDS ROAD UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located within Montgomery and Harris Counties)
UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2019

Dated: July 1, 2019 **Due: October 1, as shown below**

The bonds described above (the "Bonds") are obligations solely of The Woodlands Road Utility District No. 1 (the "District"), and are not obligations of the State of Texas, Montgomery County, Harris County, the City of Houston, the City of Shenandoah, The Woodlands Township, or any entity other than the District.

Principal of the Bonds is payable at maturity or earlier redemption at the principal corporate trust office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from July 1, 2019, and is payable each April l and October 1, commencing October 1, 2019, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered 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."

MATURITY SCHEDULE

Due (October 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (October 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2020	$ 560,000		2.00 %	1.65 %	979690 TL8	2028	$ 805,000	(a)	2.00 %	2.25 %	979690 TU8
2021	555,000		2.00	1.70	979690 TM6	2029	790,000	(a)	2.25	2.40	979690 TV6
2022	1,440,000		2.00	1.75	979690 TN4	2030	775,000	(a)	2.50	2.70	979690 TW4
2023	1,410,000		2.00	1.80	979690 TP9	2031	760,000	(a)	2.75	2.75	979690 TX2
2024	1,380,000		2.00	1.85	979690 TQ7	2032	745,000	(a)	2.75	2.80	979690 TY0
2025	1,355,000	(a)	2.00	1.95	979690 TR5	2033	730,000	(a)	2.75	2.85	979690 TZ7
2026	1,325,000	(a)	2.00	2.05	979690 TS3	2034	720,000	(a)	3.00	2.90	979690 UA0
2027	1,290,000	(a)	2.00	2.15	979690 TT1						

(a) Bonds maturing on or after October 1, 2025, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on October 1, 2024, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

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

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel and Bracewell, LLP, Special Tax Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 17, 2019.

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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, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel ("Bond Counsel"), 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") paying the interest rates shown on the cover page hereof, at a price of 99.20% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.452007%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General... The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District... According to the District, the water and wastewater system serving the District did not sustain any material damage, there was no interruption of water and sewer service, and no commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase 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—Hurricane Harvey."

THE DISTRICT

Description... The Woodlands Road Utility District No. 1 (the "District") is a political subdivision of the State of Texas, created by Acts of the 72nd Texas Legislature, Regular Session, 1991, Chapter 816, effective June 16, 1991, as amended (the "District Act"), and operates pursuant to Article III, Section 52 of the Texas Constitution, as amended, the District Act, as amended, and Chapter 441, Texas Transportation Code, as amended (the "Act"). See "THE DISTRICT."

Location... The District is located in Montgomery County approximately 27 miles north of the central downtown business district of the City of Houston and 7 miles south of the City of Conroe, Texas. The District encompasses approximately 2,563 acres, of which approximately 2,345 acres lie within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of a municipal utility district and approximately 167 acres lie within the boundaries of the City of Shenandoah, Texas. A portion of the District is within the boundaries of the Conroe Independent School District and the balance of the District is within the boundaries of the Tomball Independent School District. In addition, the District is located within the Woodlands Township, a special purpose district operating pursuant to Texas law. Access to the District is provided from Interstate Highway 45 via Woodlands Parkway, Research Forest Drive, or Lake Woodlands Drive and from College Park Drive via Greenbridge Drive or Gosling Road. See "THE DISTRICT."

The Woodlands... The District consists of the commercial and retail acreage and major road rights of way within the approximately 28,000-acre community known as The Woodlands. Formal opening of The Woodlands occurred in 1974. Since inception, over 45,000 residential units and over 30 million square feet of commercial, retail, industrial, research technology and institutional facilities have been constructed. See "THE WOODLANDS."

Status of Development... Approximately 1,572 acres in the District have been developed as building sites for office, commercial and retail development with roads and utilities. Development within the District includes approximately 19 million square feet of completed buildings on approximately 1,295 acres, including The Woodlands Mall. The Woodlands Mall is a one million square foot, two level, enclosed, regional shopping mall. The remaining approximately 991 acres comprising the District are dedicated for roads, public areas, easements, open spaces and lakes. See "THE DISTRICT."

Water, Wastewater and Storm Drainage Service... All but approximately 51 acres of land in the District, consisting of primarily road rights-of-way and undeveloped property, lies within the boundaries of either the City of Shenandoah or a municipal utility district, each being a governmental entity authorized to provide water, wastewater and storm drainage service to land within its boundaries. See "THE DISTRICT."

Payment Record… The District has previously issued $108,200,000 in principal amount of Unlimited Tax Road Bonds and $79,015,000 in principal amount of Unlimited Tax Road Refunding Bonds, of which $46,010,000 in principal amount is collectively outstanding (the "Outstanding Bonds"). The District has never defaulted in the timely payment of debt service on the Outstanding Bonds. See "PLAN OF FINANCING—Outstanding Bonds."

THE BONDS

Description... The Woodlands Road Utility District No. 1, Unlimited Tax Road Refunding Bonds, Series 2019, in the aggregate principal amount of $14,640,000. Interest accrues from July 1, 2019, at the rates per annum set forth on the cover page hereof, and is payable October 1, 2019, and each April 1 and October 1 thereafter, until the earlier of maturity or redemption. The Bonds will mature October 1 in the years 2020 through 2034, both inclusive, in the principal amounts set forth on the cover page hereof pursuant to an order authorizing the issuance of the Bonds adopted by the Board (the "Bond Order"), and will be issued in fully registered form only, in the denomination of $5,000, or any integral multiple thereof. See "THE BONDS— General."

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

Redemption... Bonds maturing on or after October 1, 2025, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on October 1, 2024, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds from the sale of the Bonds, together with legally available debt service funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund $14,175,000 of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. See "PLAN OF FINANCING."

Authority for Issuance... The Bonds are the tenth series of bonds issued out of an aggregate of $44,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of refunding outstanding debt of the District, of which $13,316,202 will remain authorized but unissued after issuance of the Bonds. The Bonds are issued pursuant to the Bond Order, City of Houston Ordinance 97-416, Article III, Section 52, Texas Constitution, Chapter 1207 of the Texas Government Code, as amended, the District Act and the Act. See "THE BONDS—Authorization for Issuance."

Source of Payment... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, Harris County, the City of Houston, the City of Shenandoah, The Woodlands Township, or any entity other than the District. See "THE BONDS—Source of Payment."

Not Qualified Tax-Exempt Obligations... The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

Municipal Bond Rating...	Moody's Investors Service ("Moody's") has assigned a credit rating of "Aa3" on the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody's will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Underwriter. See "MUNICIPAL BOND RATING."
Bond Counsel…	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."
Financial Advisor…	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
Special Tax Counsel…	Bracewell, LLP, Houston, Texas. See "LEGAL MATTERS" AND "TAX MATTERS."
Disclosure Counsel…	McCall Parkhurst & Horton, L.L.P., Dallas, Texas. See "MANAGEMENT OF THE DISTRICT."
Verification Agent...	Public Finance Partners, LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
Escrow Agent…	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreement."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2018 Certified Taxable Appraised Valuation	$3,237,196,841	(a)
2019 Preliminary Taxable Assessed Valuation	$3,411,816,012	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds)	$ 46,475,000	(c)
Estimated Overlapping Debt	203,190,177	(d)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$249,665,177	
Ratios of Gross Direct Debt to:		
2018 Certified Taxable Appraised Valuation	1.44%	
2019 Preliminary Taxable Assessed Valuation	1.36%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Appraised Valuation	7.71%	
2019 Preliminary Taxable Assessed Valuation	7.32%	
Debt Service Fund Balance as of May 20, 2019	$8,789,655	(e)
Operating Fund Balance as of May 20, 2019	$1,105,732	
Capital Project Fund Balance as of May 20, 2019	$8,090,213	(f)
2018 Debt Service Tax Rate	$0.18	
2018 Maintenance Tax Rate	0.02	
2018 Total Tax Rate	$0.20	(g)
Average Annual Debt Service Requirement (2020-2034)	$3,269,392	(h)
Maximum Annual Debt Service Requirement (2020)	$6,165,525	(h)
Tax Rate Required to Pay Average Annual Debt Service (2020-2034) at a 95% Collection Rate Based Upon:		
2018 Certified Taxable Appraised Valuation	$0.11	(i)
2019 Preliminary Taxable Assessed Valuation	$0.11	(i)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate Based Upon:		
2018 Certified Taxable Appraised Valuation	$0.21	(i)
2019 Preliminary Taxable Assessed Valuation	$0.20	(i)

(a) As certified by the Montgomery Central Appraisal District ("MCAD") and the Harris County Appraisal District ("HCAD"). A small portion of the District (approximately 88 acres) is located in Harris County. See "TAXING PROCEDURES." MCAD and HCAD are collectively referred to herein as the Appraisal Districts.
(b) MCAD has provided a 2019 preliminary taxable assessed valuation of $3,382,764,206 and HCAD has provided a 2019 Preliminary Taxable Assessed Valuation of $29,051,806. The 2019 Preliminary Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the total MCAD value and the HCAD value. Such values are subject to property owner protest, review and downward adjustment prior to certification. No tax will be levied on such amounts until they are certified by the Appraisal District.
(c) See "PLAN OF FINANCING—Outstanding Bonds."
(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
(e) The District will expend debt service funds in the amount of $247,000 for the purpose of the Bonds.
(f) The District has designated these funds for specific road projects.
(g) Does not include taxes levied by any overlapping municipal utility district, the City of Shenandoah, or any other overlapping taxing entity. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "Overlapping Taxes."
(h) Debt service on the Bonds is estimated. See "PLAN OF FINANCING—Debt Service Requirements."
(i) See "TAX DATA—Tax Adequacy for Debt Service."

OFFICIAL STATEMENT

$14,640,000

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Montgomery and Harris Counties)

UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2019

This OFFICIAL STATEMENT provides certain information in connection with the issuance by The Woodlands Road Utility District No. 1 (the "District"), of its $14,640,000 Unlimited Tax Road Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to the Article III, Section 52, Texas Constitution, Chapter 816, Acts of the 72nd Texas Legislature, Regular Session, 1991, as amended, Chapter 441, Texas Transportation Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance 97-416 and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Schwartz, Page & Harding, L.L.P. ("Bond Counsel"), 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056.

PLAN OF FINANCING

Purpose

At elections held within the District on January 18, 1992 and May 6, 2000, voters of the District authorized $108,200,000 principal amount of unlimited tax bonds for the purposes of acquiring, constructing, and improving roads and turnpikes and related drainage improvements, and from such authorization the District has issued $108,200,000 principal amount of unlimited tax road bonds. The District's voters have also authorized a total of $44,200,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, $13,316,202 of which will remain authorized but unissued after the issuance of the Bonds. The District currently has $46,010,000 total principal amount of outstanding bonds (the "Outstanding Bonds"). See "THE BONDS—Issuance of Additional Debt."

Bonds proceeds, together with legally available debt service funds, will be issued to currently refund and defease $3,710,000 principal amount of the District's Series 2010 Bonds and $10,465,000 principal amount of the District's Series 2011 Bonds, in order to achieve a net savings in the District's annual debt service requirements through the year 2034. See "Debt Service Requirements" in this section. The bonds to be refunded and defeased are collectively referred to as the "Refunded Bonds" and are described in more detail herein under "Refunded Bonds." A total of $31,835,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "Outstanding Bonds" and "Sources and Uses of Funds" herein.

Outstanding Bonds

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

Series		Original Principal Amount	Outstanding Bonds	Less: Refunded Bonds	Remaining Outstanding Bonds
1992-2007	(a)	$ 103,415,000	$ -	$ -	$ -
2009	(b)	8,790,000	2,100,000	-	2,100,000
2009A		13,000,000	1,560,000	-	1,560,000
2010	(b)	10,835,000	4,125,000	3,710,000	415,000
2011		18,555,000	12,885,000	10,465,000	2,420,000
2012	(b)	9,840,000	6,655,000	-	6,655,000
2014	(b)	9,705,000	5,915,000	-	5,915,000
2016	(b)	13,075,000	12,770,000	-	12,770,000
Total		$ 187,215,000	$ 46,010,000	$ 14,175,000	$ 31,835,000
The Bonds					14,640,000
The Bonds and Remaining Outstanding Bonds					$ 46,475,000

(a) Includes $26,770,000 principal amount of refunding bonds.
(b) Refunding bonds.

Refunded Bonds

Proceeds of the Bonds, together with legally available debt service funds, will be applied to currently refund and defease $14,175,000 in principal amount of the Outstanding Bonds. The principal amounts and maturity dates of the Refunded Bonds are set forth below:

Maturity Date	Series 2010	Series 2011
2020	$ 410,000	$ -
2021	405,000	-
2022	500,000	805,000
2023	490,000	805,000
2024	485,000	805,000
2025	480,000	805,000
2026	475,000	805,000
2027	465,000	805,000
2028	-	805,000
2029	-	805,000
2030	-	805,000
2031	-	805,000
2032	-	805,000
2033	-	805,000
2034	-	805,000
	$ 3,710,000	$ 10,465,000
Redemption Date	July 19, 2019	October 1, 2019

The redemption dates shown above represent the earliest redemption dates allowable under the orders authorizing issuance of the respective series of Refunded Bonds.

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	$14,640,000.00
Minus: Discount	(28,465.80)
Plus: Debt Service Fund Contribution	247,000.00
Total Sources of Funds	$14,858,534.20
Uses of Funds:	
Deposit to Escrow Fund	$14,393,773.17
Issuance Expenses and Underwriter’s Discount	464,761.03
Total Uses of Funds	$14,858,534.20

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or semi-annual interest payment date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, 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 be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be July 17, 2019). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available debt service funds of the District, 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 a portion of such funds will be used to purchase United States Treasury Obligations (the "Escrowed Securities") maturing at such times and amounts as will be sufficient to pay scheduled payments on the Refunded Bonds on their redemption dates. Public Finance Partners, LLC will verify at the time of delivery of the Bonds to the Underwriter certain mathematical calculations to the effect that the Escrow Fund is sufficient to pay, when due, the principal of and interest on the Refunded Bonds. 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 or the Remaining Outstanding Bonds. By the deposit of the Escrowed Securities and cash 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 of the 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. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Debt Service Requirements

The following sets forth the actual debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($14,175,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on Refunded Bonds	Plus: Debt Service on the Bonds Principal	Plus: Debt Service on the Bonds Interest	Plus: Debt Service on the Bonds Total	Total Debt Service Requirements
2019	$ 4,252,658.13 (a)	$ 284,025.63		$ 80,653.13	$ 80,653.13	$ 4,049,285.63
2020	6,260,963.76	978,051.26	$ 560,000	322,612.50	882,612.50	6,165,525.00
2021	5,589,515.00	959,521.26	555,000	311,412.50	866,412.50	5,496,406.24
2022	6,032,198.76	1,845,548.76	1,440,000	300,312.50	1,740,312.50	5,926,962.50
2023	5,851,086.26	1,785,348.76	1,410,000	271,512.50	1,681,512.50	5,747,250.00
2024	3,769,356.26	1,730,018.76	1,380,000	243,312.50	1,623,312.50	3,662,650.00
2025	3,636,007.50	1,674,388.76	1,355,000	215,712.50	1,570,712.50	3,532,331.24
2026	3,512,362.50	1,618,468.76	1,325,000	188,612.50	1,513,612.50	3,407,506.24
2027	3,380,612.50	1,557,268.76	1,290,000	162,112.50	1,452,112.50	3,275,456.24
2028	2,119,962.50	1,041,468.76	805,000	136,312.50	941,312.50	2,019,806.24
2029	2,046,675.00	1,008,262.50	790,000	120,212.50	910,212.50	1,948,625.00
2030	1,972,656.26	975,056.26	775,000	102,437.50	877,437.50	1,875,037.50
2031	1,901,825.00	941,850.00	760,000	83,062.50	843,062.50	1,803,037.50
2032	1,825,362.50	907,637.50	745,000	62,162.50	807,162.50	1,724,887.50
2033	1,358,312.50	873,425.00	730,000	41,675.00	771,675.00	1,256,562.50
2034	1,296,450.00	839,212.50	720,000	21,600.00	741,600.00	1,198,837.50
Total	$54,806,004.43	$ 19,019,553.23	$ 14,640,000	$2,663,715.63	$17,303,715.63	$53,090,166.83

(a) Excludes the District's April 1, 2019 debt service payment in the amount of $1,739,189.

Average Annual Debt Service Requirements (2020-2034) $3,269,392
Maximum Annual Debt Service Requirement (2020) $6,165,525

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bond Order authorizes the issuance and sale of the Bonds and contains the terms, conditions and provisions for the payment of the principal of and interest on the Bonds. A copy of the Bond Order may be obtained upon request to Bond Counsel.

The Bonds are dated July 1, 2019, and will mature on October 1 of the years and in the principal amounts and accrue interest at the stated interest rates indicated on the cover page hereof. The Bonds are issued only in fully registered form. The Bonds will be issued in denominations of $5,000 principal amount, or integral multiples thereof. The Bonds will be registered and delivered only to the Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three-hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Replacement of Bonds

In the event the Book-Entry-Only System, hereafter described, should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to hold them harmless. The District or the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Funds

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after October 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on October 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the "Redemption Date"). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date in the manner specified in the Bond Order.

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

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds and on any additional bonds payable from taxes which may be hereafter issued by the District.

Authorization for Issuance

The Bonds are issued pursuant to the authority of the Bond Order adopted by the Board on the date of sale, Article III, Section 52 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, the District Act, and the Act.

Legal Ability to Issue Additional Debt

The District may issue additional bonds to acquire, construct and improve facilities consistent with the purposes for which the District was created. On January 18, 1992 and May 6, 2000, the District's voters authorized the issuance of a total of $108,200,000 principal amount in unlimited tax bonds for the purpose of acquiring, constructing and improving roads and turnpikes and related drainage improvements, all of which have been issued, and $44,200,000 principal amount in unlimited tax road refunding bonds, of which $13,316,202 will remain authorized but unissued after the issuance of the Bonds. Voters of the District may authorize additional amounts. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District; however, pursuant to Article III, Section 52, Texas Constitution, the District may not issue bonds in excess of twenty-five percent (25%) of the appraised value of the real property in the District. There is no limit on the amount of bonds that may be authorized by voters in the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Act, the District's bonds are legal and authorized investments for: banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and sinking funds of cities, counties, school districts, and other political subdivisions of the State and other public funds of the State and its agencies, including the Permanent School Fund.

The Act also provides that the Bonds are eligible to secure deposits of public funds of the State of Texas and cities, counties, school districts, and other political subdivisions of the State of Texas. The Bonds are lawful and sufficient security for deposits to the extent of their value when accompanied by all unmatured coupons.

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

Defeasance of Bonds

The District reserves the right in the Bond Order to defease or discharge its obligations to the Registered Owners in any manner now or hereafter permitted by applicable law. Under current Texas law, the Bonds or a portion of the Bonds may be defeased by payment of principal of and interest on such Bonds to their stated maturity or (if notice of redemption is given, irrevocably provided for or duly waived) to their redemption date. Such payment may be made by deposit of money, non-callable direct obligations of the United States, or non-callable obligations guaranteed by the United States, or certain highly-rated state, county, municipal or other political subdivision bonds that have been refunded and are non-callable, and which will mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Registration

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

Replacement of Paying Agent/Registrar

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

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 or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

General

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

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

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

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

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

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

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

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

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

THE WOODLANDS

The District consists of the commercial and retail acreage and major road rights of way within the master-planned community known as The Woodlands, which is governed by the Woodlands Township, a special purpose district operating pursuant to Texas law. The Woodlands is located approximately 27 miles north of downtown Houston within an approximately 28,000-acre tract of densely forested land. The community is generally situated adjacent to and west of Interstate Highway 45, south of Farm-to-Market 1488, and north of Spring Creek. A majority of the Woodlands is located in Montgomery County with approximately 3,300 acres located in Harris County. Additional acreage, known as The Woodlands Trade Center, is adjacent to and east of Interstate Highway 45 between Texas State Highway 242 and Farm-to-Market 1488. Formal opening of The Woodlands occurred in 1974. Since inception, over 45,000 residential units and over 30 million square feet of commercial, retail, industrial, research technology and institutional facilities have been constructed.

THE DISTRICT

Description and Location

The District is a political subdivision of the State of Texas, created by the District Act and operating pursuant to Article III, Section 52 of the Texas Constitution, the District Act and the Act. See “THE PROJECT—Regulation.” The District encompasses approximately 2,563 acres of land. The District is located in Montgomery County approximately 27 miles north of the central downtown business district of the City of Houston and 7 miles south of the City of Conroe. The District generally is bounded on the east by Interstate Highway 45, on the north by Texas State Highway No. 242, and on the south by Woodlands Parkway. The District generally consists of the various commercial and retail areas in The Woodlands, the roads connecting such areas and the major roads in The Woodlands.

Approximately 2,345 acres of the District lie within the extraterritorial jurisdiction of the City of Houston, and within the boundaries of various municipal utility districts and approximately 167 acres of the District lie within the corporate boundaries of the City of Shenandoah, Texas. A portion of the District is located within the boundaries of the Conroe Independent School District and the balance of the District is located within the boundaries of the Tomball Independent School District. See “Water and Sewer Service” in this section below and “INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes.”

The District has direct access to and from Interstate Highway 45 by three interchanges. An interchange at Interstate Highway 45 and Lake Woodlands Drive provides direct access from Interstate Highway 45 to Lake Woodlands Drive, which is one of the major east/west thoroughfares within The Woodlands, and forms the northern boundary of The Woodlands Mall. Additionally, there are Interstate Highway 45 interchanges at The Woodlands Parkway and Research Forest Drive. There are also two additional entrance and exit ramps immediately adjacent to the District along Interstate Highway 45. Access is also provided off of Texas State Highway 242 via Greenbridge Drive. Texas State Highway 242 also interchanges with Interstate Highway 45.

General

The principal functions of the District are to acquire, construct and improve roads and related drainage works inside or outside its boundaries, and to convey such completed projects (free and clear of the District’s indebtedness) to appropriate governmental entities, who then own and maintain such facilities.

The District has received approval of its plan of improvements (“Master Plan”) by Montgomery County, Harris County and the City of Shenandoah, to which the facilities will be conveyed. As part of such approval, each governmental entity agreed to accept conveyance of and maintenance responsibility for that portion of the facilities within its jurisdiction following the entity’s approval of the construction of such facilities and the expiration of a one-year maintenance period.

Status of Development in the District

The District encompasses major portions of The Woodlands Town Center and the Research Forest, the primary commercial, office and technology areas planned in The Woodlands. The District includes substantially all of the major retail concentrations in The Woodlands.

Of the District’s approximately 2,563 total acres, approximately 1,572 acres have been developed for building sites, with both road access and water, sewer and drainage utilities. The remaining approximately 991 acres are dedicated as roads, public areas, open spaces and lakes. Improvements totaling approximately 19 million square feet have been constructed.

Such development includes, but is not limited to the following improvements; however, some are exempt from taxation by the District:

Research Forest Area: This area of the Woodlands is primarily occupied with medical, research and technology companies along with a mix of food, gasoline, and day care outlets. Nine Venture Technology buildings totaling approximately 648,591 square feet are located in the Research Forest area.

Town Center: This is the major commercial area of The Woodlands, with business, medical, food, retail, hotel and entertainment establishments occupying over 4,500,000 square feet of space. Major entities in this area include: The Woodlands Waterway Hotel and Convention Center, Memorial Hospital-The Woodlands, Hughes Christensen, Anadarko and Chevron Phillips. Major multi-tenant office building include: Parkwood I &II, Town Center I & II, Waterway One, Two, Three, Four, Twenty, Twenty-One, Twenty-Four, and Twenty-Five, three industrial type buildings, seven other office buildings and Market Street.

The Woodlands Mall: The Mall area totals approximately 132 acres of which 87 acres are situated inside the Mall Ring Road with some 45 acres in the peripheral development area.

Inside the Mall Ring Road is the 1,145,000 square foot, two level enclosed mall.

Outside the Mall Ring Road, dozens of business are open including banks, restaurants, retail stores, a theatre and two office buildings.

Pinecroft Center I and II and Shops at Pinecroft: Pinecroft Center I and II are retail centers adjacent to The Woodlands Mall where numerous retail stores, restaurants and service stations are located totaling approximately 350,000 square feet.

Panther Creek Village Center: Panther Creek Village Center is an approximate 335,000 square foot retail center located on approximately 49 acres in the southwestern portion of the District where a grocery store, pharmacy, service stations, a bank and restaurants are located.

Cochran's Crossing Village Center: Cochran's Crossing Village Center is a 142,000 square foot retail facility located on approximately 20 acres. Major tenants include a grocery store, a pharmacy and a bank.

Alden Bridge Village Center: Alden Bridge Village Center is a 172,000 square foot retail center located on approximately 39 acres. Major tenants include a grocery store, a pharmacy, banks, service stations and restaurants.

Sterling Ridge Village Center: Sterling Ridge Village Center is a 200,000 square foot retail facility located on approximate 41 acres. Tenants include a grocery store, a pharmacy, retail stores, banks, restaurants and an adjacent Wal-Mart.

Additional Development: Additional development includes in excess of 1,400,000 square feet of various medical centers and medical office space, in excess of 800,000 square feet of office space, additional hotels, theaters and retail.

Approximately 88 Acres Annexed in 2014: Development on approximately 88 acres annexed into the District in 2014 includes an approximate 345,000 square foot building leased by Exxon, an approximate 332,000 square foot building 50% leased by Exxon with the balance multi-tenant, a grocery store, a pharmacy and other retail sites.

Water and Sewer Service

Approximately 1,385 acres within the District lie within The Woodlands Metro Center Municipal Utility District ("Metro Center MUD"), approximately 91 acres lie within Montgomery County Municipal Utility District No. 6 ("MUD 6"), approximately 167 acres lie within the City of Shenandoah, and the balance of the land within the District lies within the boundaries of either Montgomery County Municipal Utility District No. 7, Montgomery County Municipal Utility District No. 46, Montgomery County Municipal Utility District No. 47, Montgomery County Municipal Utility District No. 60, Montgomery County Municipal Utility District No. 67, Harris-Montgomery Municipal Utility District No. 386 or The Woodlands Municipal Utility District No. 1, each being a governmental entity authorized to provide water, sanitary sewer, storm sewer and drainage service to land within its boundaries. Each of such municipal utility districts have agreements with the San Jacinto River Authority for the financing, construction and operation of central water supply and wastewater treatment facilities to serve lands within their respective boundaries. As a result of such agreements, each of the municipal utility districts has the right to acquire sufficient water supply and wastewater treatment capacity to serve all of the developed land within the boundaries of the District.

THE PROJECT

Regulation

The District's road and related drainage improvements (the "Project") have been designed and the corresponding plans have been prepared in accordance with the Master Plan (see below) and in accordance with accepted engineering practices and the specifications and requirements of the Texas Transportation Commission, Montgomery County, the City of Houston and the City of Shenandoah, as applicable. Master Plan

The Project and the Master Plan were designed and created to provide a complete network of major thoroughfares and arterial feeder roads for the development of the land within the District. The District financed the acquisition and construction of the roads and related drainage improvements within and adjacent to the boundaries of the District. From time to time, the District amends the Master Plan and may amend the Master Plan in the future to include more and/or alternate roads and plans for improvements.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of seven (7) directors, which has control over and management supervision of all affairs of the District. None of the directors reside in the District. The Directors are elected or appointed to serve two-year staggered terms. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Bill A. Neill	Chairman	May 2020
Richard DeBone	Vice Chairman	May 2021
Winton R. Davenport, Jr.	Secretary	May 2020
Gil Staley	Assistant Secretary	May 2021
Lloyd W. Matthews	Assistant Secretary	May 2020
Bruce Rieser	Director	May 2021
Mark Keough	Director	May 2020

District Consultants

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

Bond Counsel and General Counsel: The District has engaged Schwartz, Page & Harding, L.L.P. as general counsel to the District and as Bond Counsel in connection with the issuance of the District's Bonds. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Special Tax Counsel: Bracewell, LLP serves as Special Tax Counsel to the District. The fee to be paid Special Tax Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P, as disclosure counsel. The fees paid to disclosure counsel are contingent upon the sale and delivery of the Bonds.

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

Auditor: Knox Cox and Company, LLP, Certified Public Accountants prepared the annual audit for the District for the fiscal year ended September 30, 2018. The District's audited financial statement for the year ended September 30, 2018, is included as APPENDIX A hereto.

Bookkeeper: The District has contracted with Municipal Accounts and Consulting, L.P. for bookkeeping services (the "Bookkeeper").

Tax Appraisal: The Montgomery Central Appraisal District (the "MCAD") has the responsibility of appraising all property within the District in Montgomery County. The Harris County Appraisal District ("HCAD") has the responsibility of appraising all property within the District in Harris County. MCAD and HCAD are collectively referred to herein as the Appraisal Districts. See "TAXING PROCEDURES."

Tax Assessor/Collector: Tammy J. McRae, Montgomery County Tax Assessor/Collector (the "Tax Assessor/ Collector"), has been employed by the District to serve in this capacity.

Engineer: The District's consulting engineer is LJA Engineering & Surveying, Inc. (the "Engineer").

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2018 Certified Taxable Appraised Valuation	$3,237,196,841	(a)
2019 Preliminary Taxable Assessed Valuation	$3,411,816,012	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds)	$ 46,475,000	(c)
Estimated Overlapping Debt	203,190,177	(d)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$249,665,177	
Ratios of Gross Direct Debt to:		
2018 Certified Taxable Appraised Valuation	1.44%	
2019 Preliminary Taxable Assessed Valuation	1.36%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Appraised Valuation	7.71%	
2019 Preliminary Taxable Assessed Valuation	7.32%	
Debt Service Fund Balance as of May 20, 2019	$8,789,655	(e)
Operating Fund Balance as of May 20, 2019	$1,105,732	
Capital Project Fund Balance as of May 20, 2019	$8,090,213	(f)

(a) As certified by the Montgomery Central Appraisal District ("MCAD") and the Harris County Appraisal District ("HCAD"). A small portion of the District (approximately 88 acres) is located in Harris County. See "TAXING PROCEDURES." MCAD and HCAD are collectively referred to herein as the Appraisal Districts.

(b) MCAD has provided a 2019 preliminary taxable assessed valuation of $3,382,764,206 and HCAD has provided a 2019 Preliminary Taxable Assessed Valuation of $29,051,806. The 2019 Preliminary Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the total MCAD value and the HCAD value. Such values are subject to property owner protest, review and downward adjustment prior to certification. No tax will be levied on such amounts until they are certified by the Appraisal District.

(c) See "PLAN OF FINANCING—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) The District will expend debt service funds in the amount of $247,000 for the purpose of the Bonds.

(f) The District has designated these funds for specific road projects.

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 U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Estimated Overlapping Debt

The following table indicates the general obligation indebtedness, defined as outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding bonds payable from ad valorem taxes are based upon data obtained from individual jurisdictions or the Texas Municipal Reports ("TMR") compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional bonds since the date listed. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue, in addition to taxes for the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures.

	Outstanding		Overlapping	
Taxing Jurisdiction	Bonds	As of	Percent	Amount
Montgomery County	$ 545,775,000	9/30/2018	5.96%	$ 32,528,190
Harris County (a)	1,607,663,022	12/31/2018	0.87%	13,986,668
Harris County Department of Education(a)	6,555,000	8/31/2018	0.87%	57,029
Harris County Flood Control(a)	83,075,000	2/20/2019	0.87%	722,753
Port of Houston Authority(a)	593,754,397	12/31/2019	0.87%	5,165,663
Conroe Independent School District	1,253,885,000	8/31/2018	9.06%	113,601,981
Tomball Independent School District	506,425,000	8/31/2018	0.87%	4,405,898
Woodlands Metro Center MUD	14,025,000	9/30/2018	45.49%	6,379,973
The Woodlands Township	34,440,000	12/31/2018	16.09%	5,541,396
The City of Shenandoah	18,995,000	9/30/2018	2.26%	429,287
Lone Star College System	613,550,000	8/31/2018	1.66%	10,184,930
Haris-Montgomery Counties MUD No. 386	145,820,000	3/31/2019	3.76%	5,482,832
Montgomery County MUD No. 46	77,190,000	9/30/2018	4.61%	3,558,459
Montgomery County MUD No. 47	17,880,000	9/30/2018	2.89%	516,732
Montgomery County MUD No. 60	13,195,000	9/30/2018	2.25%	296,888
Montgomery County MUD No. 67	16,575,000	9/30/2018	2.00%	331,500
Total Estimated Overlapping Debt..................................				$ 203,190,177
The District..	46,475,000	(b)	100.00%	46,475,000
Total Direct and Estimated Overlapping Debt...............				$ 249,665,177

Total Direct and Estimated Overlapping Debt as a Percentage of
2018 Certified Taxable Appraised Valuation of $3,237,196,841.. 7.71% *
2019 Preliminary Taxable Assessed Valuation of $3,411,816,012... 7.32% *

(a) A small portion of the District (approximately 88 acres) is located in Harris County.
(b) Includes the Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

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

Set forth below are the taxes levied for the 2018 tax year by taxing jurisdictions overlapping the District. None of the entities below have established a 2019 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Montgomery County Tax Rate per $100 of Taxable Assessed Valuation	Harris(a) County Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority	$ -	$ 0.63518
Montgomery County	0.46670	-
Montgomery County Hospital District	0.05990	-
The Woodlands Township	0.22730	0.22730
Lone Star College System	0.10780	0.10780
Conroe Independent School District	1.51660	-
Tomball Independent School District	-	1.35000
Harris-Montgomery Counties MUD No. 386(b)	0.46500	0.46500
Total Overlapping Tax Rate…………………………………………..…….	$ 2.84330	$ 2.78528
The District	0.20000	0.20000
Total Tax Rate……………………………………………………………	$ 3.04330	$ 2.98528

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(a) A small portion of the District is located in Harris County.

(b) Various special districts overlap a portion of the District; however, Harris-Montgomery Counties MUD No. 386 represents the highest tax rate of all these overlapping entities. See "THE DISTRICT—Water and Sewer Service."

Operating Statement

The Bonds and the Remaining Outstanding Bonds are payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate and amount. Information related to operations of the District is provided for informational purposes only. The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the years ending September 30, 2015 through 2018, and an unaudited summary as of April 30, 2019, prepared by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information on the audited financial statements.

		Fiscal Year Ended September 30			
	October 1, 2018 to April 30, 2019	2018	2017	2016	2015
Revenues					
Property Taxes	$ 647,196	$ 590,770	$ 283,121	$ 268,664	$ 244,790
Penalty and Interest		2,220	-	-	-
Investment Income	8,101	8,198	2,411	802	82
Total Revenues	655,297	$ 601,188	$ 285,532	$ 269,466	$ 244,872
Expenditures					
Professional Fees	$ 139,050	$ 80,104	$ 246,812	$ 101,820	$ 93,580
Contracted Services	8,913	16,450	17,375	14,595	14,169
Other	-	6,406	11,117	9,750	8,140
Administrative	7,936	133,794	74,817	17,388	19,164
Total Expenditures	$ 155,899	$ 236,754	$ 350,121	$ 143,553	$ 135,053
Revenues Over (Under) Expenditures	$ 499,398	$ 364,434	$ (64,589)	$ 125,913	$ 109,819
Fund Balance (Beginning of Year)	$ 627,946	$ 263,512	$ 328,101	$ 202,188	$ 92,369
Fund Balance (End of Year)	$ 1,127,344	$ 627,946	$ 263,512	$ 328,101	$ 202,188

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Remaining Outstanding Bonds for each year that all or any part of the Bonds and the Remaining Outstanding Bonds remain unpaid.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for operations and maintenance purposes, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted January 18, 1992, and voters of the District authorized the Board to levy a maintenance tax at a rate not to exceed $0.25 per $100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Historical Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	0.18	$ 0.195	0.25	0.31	0.35
Maintenance and Operations	0.02	0.020	0.01	0.01	0.01
Total	0.20	$ 0.215	0.26	0.32	0.36

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District for the tax years 2014 through 2018. Such table has been prepared for inclusion herein, based upon information obtained from MCAD.

Tax Year	Taxable Assessed Valuation(a)	Tax Rate	Total Tax Levy	Total Collections as of April 30, 2019 Amount	Percent
2014	$2,469,128,709	$ 0.360	$ 8,888,863	$ 8,884,737	99.95%
2015	2,739,748,895	0.320	8,767,196	8,757,669	99.89%
2016	2,776,183,200	0.260	7,218,076	7,208,929	99.87%
2017	2,988,438,868	0.215	6,425,144	6,415,469	99.85%
2018	3,237,196,841	0.200	6,332,486	6,288,476	99.31%

(a) Represents certified value.

Tax Roll Information

The following summarizes the land, improvements and personal property values comprising the 2014 through 2018 Certified Taxable Appraised Valuations. A breakdown of the 2019 Preliminary Taxable Assessed Valuation of $3,411,816,012, which is subject to property owner protest, review and downward revision by the Appraisal Districts is not available.

Tax Year	Type of Property: Land	Type of Property: Improvements	Type of Property: Personal Property	Gross Assessed Valuations	Deferments and Exemptions(a)	Taxable Assessed Valuations
2014	$ 499,737,460	$ 2,148,562,870	$ 607,941,642	$ 3,256,241,972	$ (787,113,263)	$ 2,469,128,709
2015	504,337,160	2,320,584,510	699,600,269	3,524,521,939	(784,773,044)	2,739,748,895
2016	513,831,434	2,471,996,160	661,258,938	3,647,086,532	(870,903,332)	2,776,183,200
2017	711,471,016	2,518,936,902	660,977,788	3,891,385,706	(902,946,838)	2,988,438,868
2018	970,619,746	2,612,406,742	648,668,907	4,231,695,395	(994,498,554)	3,237,196,841

(a) Consists of business inventory subject to freeport goods exemptions ($28,177,900 for 2018), tax abatements granted by the District ($338,609,000 for 2018) and various other exempt properties. See "TAXING PROCEDURES—Freeport Goods Exemption—Tax Abatement—Agricultural, Open Space, or Timber Land Deferment."

Principal Taxpayers

The following table identifies the principal taxpayers, the taxable value of such taxpayers' property, and such property's taxable value as a percentage of the 2018 Certified Taxable Appraised Valuation of $3,237,196,841, which represents ownership as of January 1, 2018. A principal taxpayer list related to the 2019 Preliminary Taxable Assessed Valuation of $3,411,816,012 is not available. Such records may not necessarily reflect current ownership of the properties listed.

Taxpayer	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
Anadarko Realty Co	$ 215,129,760	6.65%
The Woodlands Mall Associates	170,212,605	5.26%
IMI MSW LLC	129,595,770	4.00%
CLPF Waterway Plaza LLC	78,700,000	2.43%
24 Waterway, LLC	72,693,000	2.25%
CSHV Woodlands LP	65,745,990	2.03%
Drill Bits-Baker Hughes	62,910,814	1.94%
JD Warmack Woodlands Limited Partnership	61,879,330	1.91%
Inland American Lodging Woodlands LTD	59,000,000	1.82%
HCP Ventures V LLC	55,105,000	1.70%
Total	$ 970,972,269	29.99%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised 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 Appraised Valuation of $3,237,196,841 and the 2019 Preliminary Taxable Assessed Valuation of $3,411,816,012, which is subject to protest, review and downward revision prior to certification by the Appraisal Districts. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Remaining Outstanding Bonds and the Bonds, when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "PLAN OF FINANCING—Debt Service Requirements."

Average Annual Debt Service Requirement (2020-2034)	$3,269,392
$0.11 Tax Rate on 2018 Certified Taxable Appraised Valuation	$3,382,871
$0.11 Tax Rate on 2019 Preliminary Taxable Assessed Valuation	$3,565,348
Maximum Annual Debt Service Requirement (2020)	$6,165,525
$0.21 Tax Rate on 2018 Certified Taxable Appraised Valuation	$6,458,208
$0.20 Tax Rate on 2019 Preliminary Taxable Assessed Valuation	$6,482,450

No representation or suggestion is made that the 2019 Preliminary Taxable Assessed Valuation, provided by the Appraisal Districts, will not be adjusted downward prior to certification and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2019 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2019 tax year, the District has not granted a residential homestead exemption.

Valuation of Property for Taxation

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland

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 agriculture or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural open space, or timberland use designation must apply for the designation, and MCAD or HCAD, as applicable, is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including for the three (3) years for agricultural use and for the five (5) years for timberland prior to the loss of the designation.

Tax Abatement

The City of Shenandoah, Montgomery County and Harris County may designate all or part of the area within the District as a reinvestment zone, and the District, Montgomery County, Harris County and the City of Shenandoah may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt all or any part of any increase in the appraised valuation of property covered by the agreement, over the appraised valuation in the year in which the agreement is executed, from ad valorem taxation by the approving taxing jurisdictions for a period of up to 10 years, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. A portion of the area within the District has been designated as a reinvestment zone by Montgomery County, and the District has approved tax abatement agreements with a limited number of property owners. See "TAX DATA—Tax Roll Information."

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, Harris County, the City of Houston, the City of Shenandoah, The Woodlands Township, or any entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. Payment of the principal of and interest on the Bonds will depend on 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."

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the District, the water and wastewater system serving the District did not sustain any material damage, there was no interruption of water and sewer service, and no homes, apartments, or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase 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.

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.

Dependence on Personal Property Tax Collections

Approximately 20.04% ($648,668,907) of the 2018 Certified Taxable Appraised Valuation is personal property. Most other utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and collection of personal property taxes is reliable than collection of taxes on real property. See "TAX DATA—Tax Roll Information" and "TAXING PROCEDURES—Freeport Good Exemption."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

Heretofore, the District has been successful in collecting its ad valorem tax levies, including ad valorem taxes levied on personal property located in the District. However, no representation can be made by the District regarding future tax collections. See "TAX DATA—Historical Tax Collections."

Dependence on Principal Taxpayers for Payment of Taxes

Approximately 29.99% or $970,972,269 of the 2018 Certified Taxable Valuation of the property within the District is owned by the ten principal taxpayers. Failure to collect taxes in a timely manner by any of these taxpayers could result in an increase in the District's tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund for such purposes. See "TAX DATA—Principal Taxpayers."

Factors Affecting Taxable Values and Tax Payments

A substantial percentage of the taxable value of the District results from the current market value of commercial improvements. The market value of such commercial improvements and land is related to the general economic conditions affecting the demand for commercial improvements and land situated for commercial improvement. Demand for property of this type and the construction of taxable improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could reduce existing values.

Overlapping Debt and Taxes

Approximately 1,365 acres located within the District also lie within the boundaries of Metro Center MUD, approximately 138 acres lie within MUD 6 and approximately 167 acres are within the City of Shenandoah. The balance of the land within the District, with the exception of approximately 122 acres of road rights-of-way and undeveloped property, lies within the boundaries of either Montgomery County Municipal Utility District No. 7, Montgomery County Municipal Utility District No. 46, Montgomery County Municipal Utility District No. 47, Montgomery County Municipal Utility District No. 60, Montgomery County Municipal Utility District No. 67, Harris-Montgomery Counties Municipal Utility Districts No. 386 or The Woodlands Municipal Utility District No. 1, each being a governmental entity authorized to provide water distribution, wastewater collection and storm drainage to the land within its boundaries. The debt service on bonds issued by the Metro Center MUD, MUD 6, the City of Shenandoah, and the other municipal utility districts is paid from ad valorem taxes, which taxes are in addition to taxes levied by the District. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "Overlapping Taxes." To compare the relative tax burden on property within the District, as contrasted with the property located in other real estate developments, the tax rate of the District and other taxing jurisdictions must be added together. Although the present composite tax rate imposed on land within the District may be competitive with other commercial developments located in road utility districts and/or municipal utility districts, there can be no assurances that future composite tax rates imposed by overlapping jurisdictions on property situated within the District will be competitive with the future tax rates of competing projects. To the extent that such future composite tax rates are not competitive with competing developments, the growth of property values in the District and the investment quality or security of the Bonds could be adversely affected. Any significant increase in the combined tax rate of the District and any overlapping entity substantially above current levels may have an adverse impact on future development within the District and on the District's ability to collect taxes levied. See "TAX DATA—Tax Adequacy for Debt Service—Estimated Overlapping Taxes."

Tax Collection 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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of taxable property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors, including the taxpayer's right to redeem the property following foreclosure. Attorney's fees and other costs of collecting any such taxpayers delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. 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 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 reorganization plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, secondly, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes appraised against the debtor, including taxes that have already been paid.

Registered Owners Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 others waivers such immunity by the Texas Legislative, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

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 collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The voters of the District have authorized $108,200,000 in principal amount of unlimited tax bonds for the purposes of acquiring, constructing, and improving roads and turnpikes and related drainage improvements, none of which remains authorized but unissued. In addition, $44,200,000 in principal amount of unlimited tax refunding bonds has been authorized by the District's voters for the purpose of refunding outstanding debt of the District, $13,316,202 of which is authorized but unissued after the issuance of the Bonds. The District may issue additional bonds for road improvements or refunding bonds after approval by its voters. The District does not employ any formula with respect to appraised valuations, tax collections, or otherwise limit the amount of parity bonds that may be issued; however, pursuant to Article III, Section 52, Texas Constitution, and the Act, the District may not issue bonds in excess of twenty-five percent (25%) of the appraised value of real property in the District.

Marketability of the Bonds

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

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 for federal income tax purposes. Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District.

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

Bracewell, LLP, Austin, Texas, Special Tax Counsel, will also render an opinion to the effect that (i) under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceeds relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "PLAN OF FINANCING—Escrow Agreement," "THE BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS—Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, Bracewell, LLP, has reviewed the information appearing in the OFFICIAL STATEMENT under the caption "LEGAL MATTERS—Legal Opinions" (insofar as such section related to the opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this OFFICIAL STATEMENT, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Special Tax Counsel, under existing law (i) interest on Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Code and, as such, interest on the Bonds is not subject to the alternative minimum tax.

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

Special Tax Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriters, respectively, which Special Tax Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs. Special Tax Counsel's opinion will also rely on the opinions of the Attorney General of the State of Texas and Bond Counsel as to the validity of the Bonds.

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

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

Additional Federal Income Tax Considerations

Collateral Federal Income Tax Consequences: Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, low and middle income taxpayers otherwise eligible for the health insurance premium assistance premium and individuals otherwise qualifying for the earned income tax credit. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax- exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium: The issue price of a portion of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount Bonds: The issue price of a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS—Tax Exemption," "TAX MATTERS—Additional Federal Income Tax Considerations—Collateral Tax Consequences" and "—Tax Legislative Changes" generally applies, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

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

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT. Neither the District nor Special Tax Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes: Current law may change so as to 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, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

NO-LITIGATION CERTIFICATE

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

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 subsequent to the date of sale from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

MUNICIPAL BOND RATING

Moody's Investors Service ("Moody's") has assigned a credit rating of "Aa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

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

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. 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 experts, in addition to the Financial Advisor.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the certified taxable valuation including, particularly, such information included in the section entitled "TAX DATA", has been provided by MCAD and HCAD and has been included herein in reliance upon the authority of such entities as experts in assessing the values of property in Montgomery County and Harris County, respectively, including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to collection rates included in the section entitled "TAX DATA," has been provided by Ms. Tammy J. McRae and is included herein in reliance upon the authority of such person as an expert in the assessment and collection of taxes.

Auditor: The District's audited financial statements for the year ended September 30, 2018, were prepared by Knox Cox and Company, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2018, audited financial statement.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Operating Fund" has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the Official Statement

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

Certification of the Official Statement

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

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 Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes, and (c) compliance with the 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners 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 subject to amendment to or repeal of same as set forth below. 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") so long as the agreement is in force (see "Limitations and Amendments" below).

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings "THE BONDS—Legal Ability to Issue Additional Debt," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," "TAX DATA—Historical Tax Rate Distribution—Tax Roll Information—Principal Taxpayers," and in APPENDIX A. The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2019.

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

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

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them 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. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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 registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement in the Bond Order 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 or business of the District, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule 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 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 in the Bond Order 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 or unenforceable, and the District may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the offering described herein.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12, with the possible exception of the following: On July 19, 2016, the District provided notice to the MSRB of an insured rating change of "AA" by S&P Global Ratings ("S&P"), and on July 25, 2016, the District provided notice to the MSRB of a rating change affecting its outstanding Bonds that resulted from a November 22, 2013 upgrade of the rating assigned to its Bonds by S&P. Additionally, due to an administrative oversight, the District failed to provide the tax roll information with its annual filings. The District's tax roll information was filed with the MSRB on June 4, 2019 along with a Notice of Failure to Provide. The District has taken steps to ensure future compliance with its obligations

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of The Woodlands Road Utility District No. 1, as of the date shown on the cover page.

/s/Bill A. Neill
Chairman, Board of Directors
The Woodlands Road Utility District No. 1

ATTEST:

/s/Winton R. Davenport, Jr.
Secretary, Board of Directors
The Woodlands Road Utility District No. 1

APPENDIX A

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

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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Knox Cox & Company, L.L.P.
Certified Public Accountants
77 Sugar Creek Center Blvd., Suite 215 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
The Woodlands Road Utility District No. 1
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of The Woodlands Road Utility District No. 1 (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Woodlands Road Utility District No. 1 as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 28, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kemp Cox & Co. LLP

Sugar Land, Texas
January 7, 2019

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1
Management's Discussion and Analysis
September 30, 2018

Using this Annual Report

Within this section of the financial report of The Woodlands Road Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements; and
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget.

Overview of the Financial Statements

The District is a special purpose government, which is a governmental entity that engages in a single governmental program, such as the construction of road and drainage facilities. The District prepares its financial statements using a format specifically designed for a special-purpose government. This format combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.* Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities,* which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the assets and liabilities of the District, with the difference reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances.* The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

In the government-wide statements, the difference between assets and liabilities is called Net Position. The District's Net Position at September 30, 2018, was negative $33,073,645. This amount is negative because the District incurs debt to construct road and drainage facilities which it conveys to other governments.

Net Position is categorized based on their availability to provide financial resources for the District. "Restricted" net position represents amounts that are restricted for future debt service requirements. "Unrestricted" net position represents amounts available to meet the District's future obligations.

A comparative summary of the District's overall financial position, as of September 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	$ 13,462,791	$ 14,346,360
Total Assets	13,462,791	14,346,360
Current Liabilities	9,117	622,237
Long-Term Liabilities	46,527,319	51,079,524
Total Liabilities	46,536,436	51,701,761
Net Position:		
Restricted	4,579,737	4,873,171
Unrestricted	(37,653,382)	(42,228,572)
Total Net Position	$ (33,073,645)	$ (37,355,401)

The total net position of the District increased by $4,281,756. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues:		
Property taxes, penalties and interest	$ 6,355,864	$ 7,335,968
Investment earnings and other	245,209	111,022
Total Revenues	6,601,073	7,446,990
Expenses:		
Current service operations	389,728	424,522
Interest and fiscal charges	1,548,928	1,749,986
Amortization	(2,205)	18,876
Total Expenses	1,936,451	2,193,384
Change in net assets before other items	4,664,622	5,253,606
Other Items:		
Transfers to other governments	(382,866)	(553,472)
Change in Net Position	4,281,756	4,700,134
Net position, beginning of year	(37,355,401)	(42,055,535)
Net Position, End of Year	$ (33,073,645)	$ (37,355,401)

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2018, were $13,368,010. The following is a summary of changes in fund balances for the prior two fiscal years:

	2018	Increase (Decrease)	2017	Increase (Decrease)	2016
General Fund	$ 627,946	$ 364,434	$ 263,512	(64,589)	$ 328,101
Debt Service Fund	4,494,073	(276,560)	4,770,633	142,401	4,628,232
Capital Projects Fund	8,245,991	(341,449)	8,587,440	(482,362)	9,069,802
	$ 13,368,010	$ (253,575)	$ 13,621,585	$ (404,550)	$ 14,026,135

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District anticipated an increase in the fund balance of $420,410, while the actual change was an increase of $364,434.

The District's budget is primarily a planning tool and was not amended during the year. Accordingly, actual results varied from the budgeted amounts. The *Budgetary Comparison Schedule* in this report provides variance information per financial statement line item.

Capital Assets

The District has received approval of its Master Plan by Montgomery County and the City of Shenandoah, Texas, to which the facilities will be conveyed when completed. As part of such approval, each governmental entity agreed to accept conveyance of and maintenance responsibility for that portion of the facilities within its jurisdiction following the entity's approval of the construction of such facilities and the expiration of a one year maintenance period. For the year ended September 30, 2018, capital assets in the amount of $382,866 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 6.

Long-Term Debt

At September 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2009 Refunding	$ 2,100,000	$ 2,920,000
2009A	1,560,000	2,080,000
2010 Refunding	4,125,000	4,550,000
2011	12,885,000	13,695,000
2012 Refunding	6,655,000	7,465,000
2013 Refunding	6,940,000	7,950,000
2016 Refunding	12,770,000	12,925,000
	$ 47,035,000	$ 51,585,000

There were no issues during the year. At September 30, 2018, the District had no unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving roads, turnpikes and related drainage systems within the District.

Economic Factors

Property Taxes

The District's property tax base increased approximately $139,852,653 for the 2017 tax year from $2,826,418,584 to $2,966,271,237. This increase was primarily due to new construction in the District and rising property values. The current year tax rate was $0.215 per $100 of assessed value, $0.195 of which was allocated to debt service and $0.02 allocated to maintenance and operations.

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FINANCIAL STATEMENTS

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2018

	General	Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	$ 7,341	$ 1,476,818	$ 6,868	$ 1,491,027
Investments	624,722	3,015,228	8,239,223	11,879,173
Receivables:				
Property taxes	2,938	82,726		85,664
Accrued interest		2,756		2,756
Other	4,171			4,171
Internal receivables		378		378
Total Assets	$ 639,172	$ 4,577,906	$ 8,246,091	$ 13,463,169
Liabilities				
Accounts payable and accrued liabilities	$ 7,910	$ 1,107	$ 100	$ 9,117
Internal payables	378			378
Long-term liabilities:				
Unamortized bond premium or (discount)				
Due within one year				
Due after one year				
Total Liabilities	8,288	1,107	100	9,495
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2,938	82,726		85,664
Fund Balances/Net Position				
Fund Balances:				
Restricted:				
Debt Service		4,494,073		4,494,073
Capital Projects			8,245,991	8,245,991
Unrestricted:				
Unassigned	627,946			627,946
Total Fund Balances	627,946	4,494,073	8,245,991	13,368,010
Total Liabilities and Fund Balances	$ 639,172	$ 4,577,906	$ 8,246,091	$ 13,463,169
Net Position:				
Restricted				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

Adjustments (Note 2)	Statement of Net Position
$	$ 1,491,027
	11,879,173
	85,664
	2,756
	4,171
(378)	
(378)	13,462,791
$	9,117
(378)	
(507,681)	(507,681)
4,575,000	4,575,000
42,460,000	42,460,000
46,526,941	46,536,436
(85,664)	
(4,494,073)	
(8,245,991)	
(627,946)	
(13,368,010)	
4,579,737	4,579,737
(37,653,382)	(37,653,382)
$ (33,073,645)	$ (33,073,645)

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

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

Year Ended September 30, 2018

	General	Debt Service	Capital Projects	Total
Revenues				
Property taxes	$ 590,770	$ 5,753,882	$	$ 6,344,652
Penalties and interest	2,220	25,866		28,086
Investment earnings and other	8,198	102,296	134,715	245,209
Total Revenues	601,188	5,882,044	134,715	6,617,947
Expenditures/Expenses				
Current:				
Professional fees	80,104		750	80,854
Contracted services	16,450	59,611	1,070	77,131
Administrative	133,794	65	88	133,947
Other	6,406		91,390	97,796
Capital Outlay			382,866	382,866
Debt Service:				
Principal retirement		4,550,000		4,550,000
Interest and fiscal charges		1,548,928		1,548,928
Bond issuance costs				
Transfers to other Governments				
Amortization				
Total Expenditures/Expenses	236,754	6,158,604	476,164	6,871,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	364,434	(276,560)	(341,449)	(253,575)
Change in Net Position				
Fund Balances/Net Position - Beginning	263,512	4,770,633	8,587,440	13,621,585
Fund Balances/Net Position - Ending	$ 627,946	$ 4,494,073	$ 8,245,991	$ 13,368,010

See Notes to Financial Statements.

Adjustments (Note 2)	Statement of Activities
$ (16,874)	$ 6,327,778
	28,086
	245,209
(16,874)	6,601,073
	80,854
	77,131
	133,947
	97,796
(382,866)	
(4,550,000)	
	1,548,928
382,866	382,866
(2,205)	(2,205)
(4,552,205)	2,319,317
253,575	
4,281,756	4,281,756
(50,976,986)	(37,355,401)
$ (46,441,655)	$ (33,073,645)

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THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Woodlands Road Utility District No. 1 (the "District"), located in Harris and Montgomery Counties, conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

Creation

The District is a political subdivision of the State of Texas, created by an Act of the 72nd Legislature Regular Session, 1991, Chapter 816 effective June 16, 1991, and operates pursuant to Article III, Section 52 of the Texas Constitution as amended, and Chapter 441 of the Texas Transportation Code, formerly Article 6674r-1, Vernon's Texas City Statutes. The Board of Directors held its first meeting on November 18, 1991 and the first bonds were sold on December 1, 1992.

The District's primary functions are to acquire, construct and improve roads and related drainage works inside or outside of its boundaries, and to convey such completed projects (free and clear of the District's indebtedness) to appropriate governmental entities (Montgomery County and the City of Shenandoah, Texas), who then own and maintain such facilities in accordance with the District's plan of improvement (Master Plan). The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities.*

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District has three governmental funds types, which are all reported as major funds.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

The following is a description of the various funds used by the District:

The General Fund is used to account for the operations of the District and all other financial transactions not properly includable in other funds. The principal source of revenue is bond proceeds. Expenditures include costs associated with the daily operations of the District.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's road and drainage facilities.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred revenues because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

Assigned:

To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

Fund Equity/ Restricted Assets

In the fund financial statements, reserved or designated equity balances represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific future use. Undesignated fund balances represent available balances for the District's future use. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At September 30, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned tax revenues.

Unamortized Bond Premium or (Discount)

Included within long term liabilities are the unamortized bond premium or (discount). They are being amortized over the life of the related obligation on the straight-line method. Results obtained are not materially different from the interest method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Subsequent events have been evaluated through January 7, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – ADJUSTMENT FROM GOVERNMENTAL TO GOVERNMENT-WIDE BASIS

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total fund balance, governmental funds	$	13,368,010
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		85,664
Bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(46,527,319)
Total Net Position - Governmental Activities	$	(33,073,645)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities

Net change in fund balances - total governmental funds	$	(253,575)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. The difference is for property taxes and related penalties and interest.		(16,874)
The District conveys its infrastructure to the City of Shenandoah or Montgomery County upon completion of construction. Capital outlays are reported as expenditures in these funds. However, in the Statement of Activities, these amounts are reported as transfers to other governments.		
Capital outlay expenditures		382,866
Transfers to other governments		(382,866)
Principal payments on long-term debt use current financial resources in the funds, but have no effect on government wide net assets. Also governmental funds report issuance costs and discounts on issuance when the related debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Principal payments		4,550,000
Amortization of bond premium		2,205
Total Net Position - Governmental Activities	$	4,281,756

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

In December 2015, GASB issued Statement No. 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in Statement No. 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of September 30, 2018, the District's investments consist of the following:

	Checking	CD's	Texpool	Total
General	$ 7,341	$	$ 624,722	$ 632,063
Debt Service	1,476,818	2,175,000	840,228	4,492,046
Capital Projects	6,868		8,239,223	8,246,091
	$ 1,491,027	$ 2,175,000	$ 9,704,173	$ 13,370,200

Investment Pools

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes

NOTE 4 – CONVEYANCE OF CAPITAL ASSETS

The District has received approval of its Master Plan by Montgomery County and the City of Shenandoah, Texas, to which the facilities will be conveyed. As part of such approval, each governmental entity agreed to accept conveyance of and maintenance responsibility for that portion of the facilities within its jurisdiction following the entity's approval of the construction of such facilities and the expiration of a one year maintenance period. Accordingly, the District does not record completed capital assets in the government wide financial statements, but instead reports completed projects as transfers to other governments. For the year ended September 30, 2018, the total amount of projects completed and transferred to other governments was $382,866.

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – UNAMORTIZED BOND PREMIUM OR (DISCOUNT)

A summary of changes in the unamortized bond premium or (discount) follows:

	Original Premium (Discount)	Balance at Oct 1, 2017	Current Year Amortization	Balance at Sept 30, 2018
Unlimited Tax Bonds				
Series 2009	$ 173,205	$ 53,298	$ 13,323	$ 39,975
Series 2009A	67,938	32,081	8,020	24,061
Series 2010	(14,105)	(7,833)	(784)	(7,049)
Series 2011	50,848	36,015	2,119	33,896
Series 2012	159,229	99,517	9,952	89,565
Series 2013R	291,309	174,785	29,131	145,654
Series 2016R	(1,012,451)	(893,339)	(59,556)	(833,783)
Total	$ (284,027)	$ (505,476)	$ 2,205	$ (507,681)

NOTE 6 – DUE TO DEVELOPER

The District has entered into financing agreements with its developer for the financing of the construction of roads and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. The District does not record the capital asset and related liability on the Statement of Net Position until construction of the facilities is complete.

The District's developer has also advanced funds to enable the District to provide funding for operating expenses. At September 30, 2018, no amounts were due to the developer.

NOTE 7 – LONG-TERM DEBT

The District's bonds payable at September 30, 2018, consists of unlimited tax bonds as follows:

	Amounts Outstanding	Interest Rate	Date Serially Begin/End	Maturity Interest Dates	Callable Date
2009 R	$ 2,100,000	3.0 – 4.0%	October 1, 2011/2021	October 1/ April 1	Oct.1, 2019*
2009A	$ 1,560,000	3.0 – 4.75%	October 1, 2011/2034	October 1/ April 1	Oct. 1, 2019*
2010 R	$ 4,125,000	2.0 – 4.0%	October 1, 2011/2027	October 1/ April 1	Oct. 1, 2019*
2011	$12,885,000	3.0 – 4.25%	October 1, 2012/2034	October 1/ April 1	Oct. 1, 2020*
2012 R	$ 6,655,000	2.0 – 3.00%	October 1, 2012/2027	October 1/ April 1	Oct. 1, 2020*
2013 R	$ 6,940,000	2.0 – 3.00%	April 1, 2014/2023	October 1/ April 1	None
2016 R	$12,770,000	2.0 – 2.625%	October 1, 2017/2032	October 1/ April 1	Oct. 1, 2025*

* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

The change in the District's long term debt is as follows:

Bonds payable, beginning of year	$ 51,585,000
Bonds retired	(4,550,000)
Bonds payable, end of year	$ 47,035,000

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

The debt service payment due October 1 was made during the current fiscal year. The following schedule of debt service requirements as of September 30, 2018, has been prepared assuming this practice will continue in future years:

Year	Principal	Interest	Total
2019	$ 4,575,000	$ 1,416,847	$ 5,991,847
2020	4,975,000	1,285,964	6,260,964
2021	4,450,000	1,139,515	5,589,515
2022	5,040,000	992,199	6,032,199
2023	5,005,000	846,087	5,851,087
2024	3,040,000	729,357	3,769,357
2025	2,995,000	641,008	3,636,008
2026	2,960,000	552,363	3,512,363
2027	2,920,000	460,613	3,380,613
2028	1,750,000	369,963	2,119,963
2029	1,730,000	316,675	2,046,675
2030	1,710,000	262,656	1,972,656
2031	1,695,000	206,825	1,901,825
2032	1,675,000	150,363	1,825,363
2033	1,265,000	93,312	1,358,312
2034	1,250,000	46,450	1,296,450
	$ 47,035,000	$ 9,510,197	$ 56,545,197

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At September 30, 2018, the District had no unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving roads, turnpikes and related drainage systems within the District.

NOTE 8 – PROPERTY TAXES

On January 18, 1992, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Montgomery County Appraisal District. Taxes are levied after receipt of the certified tax roll, are due upon receipt and are delinquent the following February 1, at which time a tax lien attaches to the related property. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy. The District levied property taxes of $0.215 per $100 of assessed value, all of which $0.02 was allocated to maintenance and operations and $0.195 was allocated to debt service. The resulting tax levy was $6,377,483 on the adjusted taxable value of $2,966,271,237.

Net property taxes receivable, at September 30, 2018, consisted of the following:

	General	Debt Service	Total
Current year taxes receivable	$ 2,025	$ 19,741	$ 21,766
Prior year taxes receivable	913	62,985	63,898
Net property taxes receivable	$ 2,938	$ 82,726	$ 85,664

The District provides property tax abatements to encourage economic development activity within the District. Tax abatement agreements are authorized by general laws of the State of Texas and by resolutions adopted by the Board of Directors of the District. The District's tax agreements expire at various dates through 2023. For the 2017 tax year, the District's tax abatement agreements resulted in the abatement of approximately $800,500.

NOTE 9 – TRANSFERS TO OTHER GOVERNMENTS

In accordance with an agreement between the District and the City of Shenandoah (the "City") and Montgomery County (the "County"), the District transfers all of its capital assets to the City or County (see Note 5). Accordingly, the District does not record capital assets in the *Statement of Net Position,* but instead reports completed projects as transfers to other governments on the *Statement of Activities.* For the year ended September 30, 2018, the total amount of projects completed and transferred to the City and County was $382,866.

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

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

Year Ended September 30, 2018

	Budgeted Amounts			Variance Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues				
Property taxes	$ 580,000	$ 580,000	$ 592,990	$ 12,990
Investment earnings	1,960	1,960	8,198	6,238
Total Revenues	581,960	581,960	601,188	19,228
Expenditures				
Current:				
Professional fees	114,000	114,000	80,104	33,896
Contracted services	18,500	18,500	16,450	2,050
Administrative	19,050	19,050	133,794	(114,744)
Other	10,000	10,000	6,406	3,594
Total Expenditures	161,550	161,550	236,754	(75,204)
Excess (Deficiency) of Revenues Over (Under) Expenditures	420,410	420,410	364,434	(55,976)
Other Financing Sources				
Transfers from other funds				
Net Change in Fund Balance	420,410	420,410	364,434	(55,976)
Fund Balances - Beginning	263,512	263,512	263,512	
Fund Balances - Ending	$ 683,922	$ 683,922	$ 627,946	$ (55,976)

THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

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