

## OFFICIAL STATEMENT DATED JUNE 6, 2019

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

THE BONDS HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

### NEW ISSUE-Book-Entry Only

Insured Rating: S&P “AA” (stable outlook)  
Underlying Rating: S&P “A-”  
See “MUNICIPAL BOND RATING” and  
“MUNICIPAL BOND INSURANCE” herein.

**\$3,610,000**

### WOODCREEK MUNICIPAL UTILITY DISTRICT (A political subdivision of the State of Texas located within Harris County) UNLIMITED TAX REFUNDING BONDS SERIES 2019

The bonds described above (the “Bonds”) are obligations solely of Woodcreek Municipal Utility District (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

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 against all taxable property within the District as further described herein. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT RISKS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

**Dated: July 1, 2019**

**Due: March 1, as shown below**

Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., 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 on each March 1 and September 1, commencing March 1, 2020 (eight months interest), until maturity. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



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

### MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$ 50,000	3.000 %	1.800 %	979259 EY0	2026	\$ 390,000 (c)	3.000 %	2.150 %	979259 FE3
2021	15,000	3.000	1.840	979259 EZ7	2027	410,000 (c)	3.000	2.260	979259 FF0
2022	335,000	3.000	1.880	979259 FA1	2028	425,000 (c)	3.000	2.420	979259 FG8
2023	345,000	3.000	1.930	979259 FB9	2029	440,000 (c)	3.000	2.550	979259 FH6
2024	365,000	3.000	1.980	979259 FC7	2030	460,000 (c)	3.000	2.710	979259 FJ2
2025	375,000	3.000	2.050	979259 FD5					

- (a) Initial reoffering 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 may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from July 1, 2019, is to be added to the price.
- (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) The Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

The Bonds are offered, when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter’s Counsel See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 10, 2019.

**SAMCO CAPITAL**

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### USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Bacon & Wallace L.L.P., 6363 Woodway Drive, Suite 800, Houston, TX 77057 upon payment of the costs of duplication therefor.

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 (as herein defined) and thereafter only as specified in "PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement."

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

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

### THE FINANCING

<i>The Issuer</i> .....	Woodcreek Municipal Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
<i>Description</i> .....	\$3,610,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”) are issued pursuant to and order (the “Bond Order”) of the District’s Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing serially on March 1 in each of the years 2020 through 2030, both inclusive, in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from July 1, 2019 and is payable on March 1, 2020 (eight months of interest), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
<i>Book-Entry-Only System</i> .....	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 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.”
<i>Redemption</i> .....	The Bonds maturing on and after March 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on March 1, 2025, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”
<i>Source of Payment</i> .....	The Bonds are payable from an annual ad valorem tax levied upon all taxable property within the District, which, under Texas law, is not limited as to rate or amount. See “TAXING PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See “THE BONDS—Source of and Security for Payment.”
<i>Payment Record</i> .....	The District has previously issued five series of waterworks and sewer system combination unlimited tax and revenue bonds and three series of unlimited tax refunding bonds, of which \$7,780,000 principal amount are outstanding as of May 1, 2019 (the “Outstanding Bonds”). The District has never defaulted on its previously issued debt obligations.
<i>Use of Proceeds</i> .....	Proceeds from the sale of the Bonds, together with any other lawfully available funds of the District will be used to currently refund and defease \$3,535,000 of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any bond insurance premium. After the issuance of the Bonds, \$4,245,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”) and the total outstanding debt of the District will be \$7,855,000. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”
<i>Qualified Tax-Exempt Obligations</i> .....	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

<i>Municipal Bond Rating and Municipal Bond Insurance</i> .....	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). S&P has also assigned an underlying rating of “A-” to the Bonds. An explanation of the ratings may be obtained from S&P. See “INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Bond Counsel</i> .....	Bacon & Wallace L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Underwriter’s Counsel</i> .....	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i> .....	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i> .....	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.
<i>Verification Agent</i> .....	Public Finance Partners LLC, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

## HURRICANE HARVEY

<i>General</i> .....	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 of which was Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.
<i>Impact on the District</i> .....	According to Hays Utility South Corp. (the “System Operator”) and Koehn & Associates Engineers (the “Engineer”), the District's System (as defined herein) did not sustain any material damage, there was no interruption of water and sewer service, and to the best of their knowledge, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected. See “INVESTMENT CONSIDERATIONS—Hurricane Harvey.”

## THE DISTRICT

<i>Description</i> .....	The District was created by order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated January 10, 1973. The District presently contains approximately 408 acres of land and lies entirely within Aldine Independent School District and the extraterritorial jurisdiction of the City of Houston. The District is located approximately 17 miles northwest of the central downtown business district of the City of Houston, 2 1/2 miles east of Interstate Highway 45. Bounded on the north by F.M. 1960, on the east by Aldine-Westfield Road and on the south by W.W. Thorne Boulevard, the District is almost bisected by Turkey Creek. Access to the District from the City of Houston is provided by Interstate 45 or the Hardy Toll Road to F.M. 1960. See “THE DISTRICT.”
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*Status of  
Development.....*

Underground utilities and paving have been completed to serve approximately 231 acres of single-family residential development known as Woodcreek, Sections 1 and 2, Westfield Glen and Westfield Glen Village, Sections 1 and 2 (collectively containing approximately 879 single family residential lots). As of April 9, 2019, the District contained approximately 871 occupied single-family connections and 4 vacant single family connections. The average value of homes in the District based on the District's 2018 tax rolls is approximately \$160,000.

In addition to the residential development, approximately 82 acres have been developed for commercial usage, which includes a Gulf States Toyota new vehicle storage lot, a U- Haul Self Storage Facility, Woodcreek Shopping Center, a strip shopping center which includes a Valero gas station and convenience store, a Prosperity Bank, a medical office, and other retail and service establishments.

Multifamily development in the District includes Westfield Ridge Apartments and Woodcreek Village Apartments constructed on approximately 6 acres and collectively containing 170 apartment units. Occupancy rates for Westfield Ridge Apartments and Woodcreek Village Apartments are not available. In addition, the Pines at Woodcreek Apartments (330 units) are located on approximately 21 acres within the District.

Approximately 16 acres have been developed as a ninth-grade school for the Aldine Independent School District, which is not subject to taxation by the District.

There is currently no development or building activity in the District.

The District also has 22 acres of land in easements, plant sites, recreational facilities and rights-of-way, and 30 acres of developable, but undeveloped land owned by various entities for future commercial and multifamily developments, none of the owners of which have reported development plans to the District. Existing recreational facilities include two tennis courts, 2 swimming pools, a playground and a pool house. The District also serves Aldine Westfield Business Park and three Aldine Independent School District schools, which are located outside the boundaries of the District. See "THE DISTRICT—Status of Development."

## **INVESTMENT CONSIDERATIONS**

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL 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

2018 Certified Taxable Assessed Valuation.....	\$190,628,537	(a)
2019 Preliminary Taxable Assessed Valuation.....	\$214,331,837	(b)
Gross Direct Debt Outstanding .....	\$7,855,000	(c)
Estimated Overlapping Debt .....	<u>11,826,248</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$19,681,248	
Ratios of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation .....	4.12%	
2019 Preliminary Taxable Assessed Valuation .....	3.66%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation.....	10.32%	
2019 Preliminary Taxable Assessed Valuation .....	9.18%	
Debt Service Fund Balance as of May 16, 2019 .....	\$570,768	(e)
Funds Available in the General Operating Fund as of May 16, 2019 .....	\$2,073,509	
Funds Available in the Capital Projects Fund as of May 16, 2019 .....	\$1,451,173	
2018 Debt Service Tax Rate.....	\$0.375	
2018 Maintenance and Operations Tax Rate.....	<u>0.130</u>	
Total 2018 Tax Rate .....	\$0.505/\$100 A.V.	
Average Annual Debt Service Requirement (2020-2035) of the Bonds and the Remaining Outstanding Bonds ("Average Annual Requirement").....	\$608,732	(f)
Tax rate required to pay Average Annual Requirement based upon:		
2018 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.34	(g)
2019 Preliminary Taxable Assessed Valuation at a 95% collection rate .....	\$0.30	(g)
Maximum Annual Debt Service Requirement (2020) of the Bonds and the Remaining Outstanding Bonds ("Maximum Annual Requirement").....	\$740,513	(f)
Tax rate required to pay Maximum Annual Requirement based upon:		
2018 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.41	(g)
2019 Preliminary Taxable Assessed Valuation at a 95% collection rate .....	\$0.37	(g)
Status of water connections as of April 9, 2019:		
Single-family residential occupied .....	871	
Single-family residential vacant .....	4	
Multifamily (560 units) .....	4	
Commercial (of which 14 are out-of-District) .....	22	
Total .....	901	

Estimated 2019 population — 4,169 (h)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2019 taxable value (as of January 1, 2019). Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds and excludes the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES."
- (e) Balance gives effect to payment of debt service due on the Outstanding Bonds on March 1, 2019. The District will apply \$2,000 of available debt service funds towards the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither the Bond Order nor Texas law requires the District to maintain any particular balance in the Debt Service Fund.
- (f) See "DEBT SERVICE REQUIREMENTS."
- (g) See "TAX DATA—Tax Adequacy for Debt Service."
- (h) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit.

## OFFICIAL STATEMENT

**\$3,610,000**

**WOODCREEK MUNICIPAL UTILITY DISTRICT**  
*(A political subdivision of the State of Texas located within Harris County)*

### **UNLIMITED TAX REFUNDING BONDS SERIES 2019**

This Official Statement provides certain information in connection with the issuance by Woodcreek Municipal Utility District (the “District”) of its \$3,610,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an election held within the District 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 certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Bacon & Wallace, L.L.P. (“Bond Counsel”), 6363 Woodway Drive, Suite 800, Houston, TX 77057 upon payment of the costs of duplication therefore.

## PLAN OF FINANCING

### **Purpose**

The proceeds of the Bonds, together with any other lawfully available funds of the District, will be used to currently refund and defease outstanding portions of the District's original issue of \$4,675,000 Waterworks and Sewer System combination Unlimited Tax Bonds and Revenue Bonds, Series 2010 in order to achieve a reduction in the District's annual debt service expense. Such refunded portions reflected below are collectively referred to as the “Refunded Bonds.” See “Refunded Bonds” below. A total of \$4,245,000 in principal amount of the District's Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “—Sources and Uses of Funds” herein and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds”

### **Refunded Bonds**

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

Maturity Date	Series
March 1	2010
2022	\$ 320,000
2023	335,000
2024	355,000
2025	370,000
2026	390,000
2027	410,000
2028	430,000
2029	450,000
2030	475,000
	<hr/>
	\$ 3,535,000

Redemption Date: July 16, 2019

### **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 .....	\$3,610,000.00
Plus: Premium on the Bonds.....	122,159.90
Plus: Transfer from Debt Service Fund .....	<u>2,000.00</u>
Total Sources of Funds.....	\$3,734,159.90
Uses of Funds:	
Deposit to Paying Agent for Refunded Bonds.....	\$3,588,247.66
Issuance Expenses and Underwriters' Discount (a).....	<u>145,912.24</u>
Total Uses of Funds .....	\$3,734,159.90

(a) Includes municipal bond insurance premium.

### **Payment of the Refunded Bonds**

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds").

The Bond Order provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Public Finance Partners LLC will verify to the District, the Paying Agent, Bond Counsel, and the Underwriters that the cash held in the Payment Account is sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.



## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$3,535,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	(a)	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
				Principal	Interest	Total	
2019	\$ 136,559	(a)	\$ 70,997				\$ 65,563
2020	706,906		141,994	\$ 50,000	\$ 125,600	\$ 175,600	740,513
2021	708,094		141,994	15,000	106,575	121,575	687,675
2022	706,844		455,594	335,000	101,325	436,325	687,575
2023	704,244		457,494	345,000	91,125	436,125	682,875
2024	705,944		463,694	365,000	80,475	445,475	687,725
2025	701,944		464,194	375,000	69,375	444,375	682,125
2026	702,244		468,994	390,000	57,900	447,900	681,150
2027	701,744		472,994	410,000	45,900	455,900	684,650
2028	700,444		476,194	425,000	33,375	458,375	682,625
2029	698,344		478,594	440,000	20,400	460,400	680,150
2030	700,047		484,797	460,000	6,900	466,900	682,150
2031	457,000		-	-	-	-	457,000
2032	445,000		-	-	-	-	445,000
2033	432,500		-	-	-	-	432,500
2034	419,500		-	-	-	-	419,500
2035	406,500		-	-	-	-	406,500
Total	\$ 10,033,856		\$ 4,577,531	\$ 3,610,000	\$ 738,950	\$ 4,348,950	\$ 9,805,275

(a) Excludes the District's March 1, 2019 debt service payment of \$572,609.

Average Annual Debt Service Requirements (2020-2035) .....\$608,732  
Maximum Annual Debt Service Requirements (2020) .....\$740,513

## **THE BONDS**

### **Description**

Following is a description of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from July 1, 2019, with interest payable each March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2020, until the earlier of maturity or prior redemption. The Bonds mature on March 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

### **Method of Payment of Principal and Interest**

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas as the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar," "Paying Agent" or "Registrar"). The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the 15th day of the month immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

### **Authority for Issuance**

At a bond election held within the District on May 5, 1992, the voters of the District authorized the issuance of a total of \$8,760,000 principal amount of unlimited tax refunding bonds. After the issuance of the Bonds, \$4,255,000 principal amount of authorized and unissued unlimited tax refunding bonds will remain from such authorization. In addition, at an election held on May 12, 2007, the voters of the District authorized the issuance of combination unlimited tax and revenue bonds in the total amount of \$14,560,000, all of which may also be used for refunding purposes, of which \$9,020,000 remains authorized but unissued See "Issuance of Additional Debt" below.

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

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

### **Source of and Security for Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, an annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

### **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.

## **Funds**

In the Bond Order, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

## **No Arbitrage**

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

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. 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 that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

## **Method of Payment of Principal and Interest**

The Board has appointed the The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, 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 the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

### **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 act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

### **Issuance of Additional Debt**

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$9,020,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds authorized but unissued for acquiring or constructing water, sanitary sewer and drainage facilities and \$4,255,000 principal amount of unlimited tax refunding bonds authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Additional bonds for water, sewer and drainage facilities must be approved by the Texas Commission on Environmental Quality (the "TCEQ" or "Commission." See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) authorization of park bonds by the qualified voters in the District; (b) approval of the park project and bonds by the TCEQ; and (c) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has not considered authorizing preparation of a park plan nor calling a park bond election at this time.

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

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

### **Annexation by the City of Houston**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, Texas ("Houston" or the "City") the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

## **Strategic Partnership**

The District entered into a strategic partnership agreement (the “Agreement”) with the City of Houston in December 2010. Under the terms of the Agreement, the City annexed a portion of the District (the “Partial District”) for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Partial District. The City will not annex the District for full purposes or commence any action to annex the District for full purposes during the 30-year term of the Agreement. The City imposes a Sales and Use Tax within the boundaries of the Partial District and shall pay to the District one-half of all Sales and Use Tax revenue generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. None of the revenues derived by the District from the Agreement is pledged to the payment of the Bonds.

## **Consolidation**

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

## **Remedies in Event of Default**

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

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

## **Defeasance**

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

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

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

## **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 is on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series 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. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series 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 3.6 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](http://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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

## THE DISTRICT

### **General**

Woodcreek Municipal Utility District (the “District”) is a municipal utility district created by order of the TCEQ, dated January 10, 1973, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within Aldine Independent School District and the exclusive extraterritorial jurisdiction of the City of Houston, Texas (the “City of Houston”).

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City of Houston, the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire-fighting facilities and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

### **Status of Development**

The District presently contains approximately 408 acres of land is located approximately 17 miles northwest of the central downtown business district of the City of Houston, 2 1/2 miles east of Interstate Highway 45. Bounded on the north by F.M. 1960, on the east by Aldine-Westfield Road and on the south by W.W. Thorne Boulevard, the District is almost bisected by Turkey Creek. Access to the District from the City of Houston is provided by Interstate 45 or the Hardy Toll Road to F.M. 1960.

*Residential Development:* Underground utilities and paving have been completed to serve approximately 231 acres of single family residential development known as Woodcreek, Sections 1 and 2, Westfield Glen and Westfield Glen Village, Sections 1 and 2 (collectively containing approximately 879 single family residential lots). As of April 9, 2019, the District contained approximately 871 occupied single family connections and 4 vacant single family connections. The average value of homes in the District based on the District's 2018 tax rolls is approximately \$160,000.

*Commercial Development:* Approximately 82 acres have been developed for commercial usage, which includes a Gulf States Toyota new vehicle storage lot, a U-Haul Self Storage Facility,, Woodcreek Shopping Center, a strip shopping center which includes a Valero gas station and convenience store, a Prosperity Bank, a medical office, and other retail and service establishments.

*Multifamily Development:* Multifamily development in the District includes Westfield Ridge Apartments and Woodcreek Village Apartments constructed on approximately 6 acres and collectively containing 170 apartment units. Occupancy rates for both Westfield Ridge Apartments and Woodcreek Village Apartments are not available. In addition, the Pines at Woodcreek Apartments (330 units) are located on approximately 21 acres within the District.

Approximately 16 acres have been developed as a ninth grade school for the Aldine Independent School District, which is not subject to taxation by the District.

There is currently no development or building activity in the District.

The District also has 22 acres of land in easements, plant sites, recreational facilities and rights-of-way and 30 acres of developable, but undeveloped land owned by various entities for future commercial and multifamily developments, none of the owners of which have reported development plans to the District. Existing recreational facilities include two tennis courts, 2 swimming pools, a playground and a pool house. The District also serves Aldine Westfield Business Park and three Aldine Independent School District schools, which are located outside the boundaries of the District.



## MANAGEMENT OF THE DISTRICT

### **Board of Directors**

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors' elections are held only in May of even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roy L. Cook	President	May 2022
John W. Sneed	Vice President	May 2020
Charles D. Carter	Secretary	May 2020
Frank Files	Assistant Secretary	May 2022
Cathy L. Griggs	Director	May 2020

While the District does not employ any full-time employees, it has contracted for certain services as follows:

### **District Consultants**

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

Bond Counsel and General Counsel: Bacon & Wallace, L.L.P. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Bacon & Wallace, L.L.P. serves as general counsel to the District on matters other than the issuance of 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: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed the TCEQ. The District's financial statements for the year ended May 31, 2018, were audited by Roth & Eyring, PLLC. The District has engaged Roth & Eyring, PLLC to audit the District's financial statements for the year ended May 31, 2019. See "APPENDIX A" for a copy of the District's May 31, 2018, financial statements.

Engineer: The District's consulting engineer is Koehn & Associates Engineers, Inc.

Tax Appraisal and Collections: The Harris County Appraisal District has the responsibility of appraising all property within the District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Wheeler & Associates is currently serving in this capacity for the District. See "TAXING PROCEDURES."

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

Operator: The operation and maintenance of the District's water and wastewater systems are overseen by Hays Utility South Corp.

## THE SYSTEM

### **Regulation**

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

### **Water, Sanitary Sewer and Drainage Facilities**

*Source of Water Supply:* The District's water is supplied by the District's water plant which consists of a 1,015 gallon per minute ("gpm") well, a 428,000 gallon ground storage tank, three (3) 10,000 gallon hydropneumatic pressure tanks, 2,250 gpm booster pump capacity and an emergency generator system. Proceeds of the Bonds will be used to finance the design and construction of a second water plant and the abandonment of the existing water plant. The District also has three emergency interconnect agreements with Memorial Hills Municipal Utility District, Richey Road Municipal Utility District and Northwoods Municipal Utility District. According to the District's Engineer, the District's existing plant has adequate water supply capacity to serve 1,691 equivalent single-family connections. The proposed water supply will be capable of serving 2,250 equivalent single-family connections. The District currently serves approximately 1,420 equivalent single-family connections.

*Subsidence and Conversion to Surface Water Supply:* The District is within the boundaries of the Harris-Galveston Coastal Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District had to submit a groundwater reduction plan ("GRP") to the Subsidence District by January 2003 and must begin construction of infrastructure identified in the GRP by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. Additional disincentive fees will be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035.

The District is included in the Groundwater Reduction Plan ("GRP") prepared by the City of Houston (the "City"), in order to meet the Subsidence District requirements pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system.

*Source of Wastewater Treatment:* The District is provided wastewater treatment by the District's 750,000 gpd wastewater treatment plant consisting of a lift station, a control building, blowers, a clarifier, an aeration basin, a digester, a chlorine contact chamber and an emergency generator. According to the District's Engineer, wastewater treatment plant has adequate wastewater treatment capacity to serve 2,500 equivalent single family connections. The District currently serves approximately 1,420 equivalent single family connections.

**100-Year Flood Plain:**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards. According to the Engineer, all developed land within the District is above the 100-year flood plain elevation as designated by the Federal Insurance Rate Map for the area, dated October 16, 2013. The 100-year flood plain is contained within the banks of Turkey Creek. See “INVESTMENT CONSIDERATIONS—Hurricane Harvey.”

**UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED**

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
9/11/1982	Water, Sanitary Sewer and Drainage	\$8,760,000	\$8,760,000	\$0
05/02/1992	Refunding Bonds	\$8,760,000	\$4,505,000 (a)	\$4,255,000
05/12/2007	Water, Sanitary Sewer and Drainage & Refunding	\$14,560,000	\$5,540,000	\$9,020,000

(a) Includes the Bonds.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2018 Certified Taxable Assessed Valuation.....	\$190,628,537	(a)
2019 Preliminary Taxable Assessed Valuation.....	\$214,331,837	(b)

Gross Direct Debt Outstanding .....	\$7,855,000	(c)
Estimated Overlapping Debt .....	11,826,248	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$19,681,248	

### Ratios of Gross Direct Debt to:

2018 Certified Taxable Assessed Valuation .....	4.12%
2019 Preliminary Taxable Assessed Valuation .....	3.66%

### Ratios of Gross Direct Debt and Estimated Overlapping Debt to:

2018 Certified Taxable Assessed Valuation.....	10.32%
2019 Preliminary Taxable Assessed Valuation .....	9.18%

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."  
 (b) Provided by the Appraisal District as a preliminary indication of the 2019 taxable value (as of January 1, 2019). Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."  
 (c) After the issuance of the Bonds and excludes the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."  
 (d) See "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES."

### Cash and Investment Balances (unaudited as of May 16, 2019)

Operating Fund	Cash and Temporary Investments	\$2,073,509	
Capital Projects Fund	Cash and Temporary Investments	\$1,451,173	
Debt Service Fund	Cash and Temporary Investments	\$570,768	(a)

- (a) Balance gives effect to payment of debt service due on the Outstanding Bonds on March 1, 2019. The District will apply \$2,000 of available debt service funds towards the purpose for which the Bonds are being issued. Neither Texas law nor any bond order (including the Bond Order) requires the District to maintain any minimum balance in the Debt Service Fund.

### Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be 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's investment portfolio.

### Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2010	\$ 4,675,000	\$ 4,130,000	\$ 3,535,000	\$ 595,000
2016	4,050,000	3,650,000	-	3,650,000
Total	\$ 8,725,000	\$ 7,780,000	\$ 3,535,000	\$ 4,245,000
The Bonds				3,610,000
The Bonds and Remaining Outstanding Bonds				\$ 7,855,000

## ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES

The following table indicates the 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 obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. 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 purposes 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. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,050,758,022	3/31/2019	0.04%	\$ 820,303
Harris County Flood Control District.....	83,075,000	3/31/2019	0.04%	33,230
Harris County Department of Education.....	6,320,000	3/31/2019	0.04%	2,528
Harris County Hospital District.....	57,300,000	3/31/2019	0.04%	22,920
Port of Houston Authority.....	593,754,397	3/31/2019	0.04%	237,502
Aldine Independent School District.....	1,052,075,000	3/31/2019	0.96%	10,099,920
Lone Star College District.....	609,845,000	3/31/2019	0.10%	609,845
Total Estimated Overlapping Debt.....				\$ 11,826,248
The District.....	7,855,000 (a)	Current	100.00%	7,855,000
Total Direct and Estimated Overlapping Debt.....				\$ 19,681,248
Ratio of Estimated Direct and Overlapping Debt to 2018 Certified Taxable Assessed Valuation.....				10.32%
Ratio of Estimated Direct and Overlapping Debt to 2019 Preliminary Taxable Assessed Valuation.....				9.18%

(a) Includes the Bonds and the Remaining Outstanding Bonds.

### **Overlapping Taxes for 2018**

	2018 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority	\$ 0.63517
Aldine Independent School District	1.43588
Lone Star College System	0.10780
Harris County Emergency Services District No. 24	0.10000
The District	<u>0.50500</u>
Total Tax Rate	\$ 2.78385

## TAX DATA

### **Debt Service Tax**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2018 tax year, the Board levied a debt service tax in the amount of \$0.375 per \$100 assessed valuation. See “Tax Rate Distribution” and “Tax Roll Information” below.

### **Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on April 1, 1978, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.20 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For tax year 2018, the Board levied a maintenance tax in the amount of \$0.13 per \$100 assessed valuation. See “Tax Rate Distribution” below.

### **Tax Rate Distribution**

	2018	2017	2016	2015	2014
Debt Service	\$ 0.375	\$ 0.390	\$ 0.440	\$ 0.440	\$ 0.380
Maintenance & Operations	0.130	0.130	0.120	0.120	0.180
Total	\$ 0.505	\$ 0.520	\$ 0.560	\$ 0.560	\$ 0.560

### **Historical Tax Collections**

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Differences in totals from others shown in this Official Statement are due to differences in dates of the data. See “Tax Roll Information” below.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of April 30, 2019 (a)	
				Amount	Percent
2014	\$ 124,898,220	\$0.56	\$ 699,426	\$ 697,533	99.73%
2015	142,974,513	0.56	800,653	797,750	99.64%
2016	172,659,682	0.56	966,890	962,446	99.54%
2017	182,517,781	0.52	949,088	944,280	99.49%
2018	190,628,537	0.51	962,670	937,634	97.40%

(a) Unaudited.

Taxes are due October 1 or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed, and no discounts are allowed.

### **Tax Exemptions**

As discussed in the section titled “TAXING PROCEDURES” in the Official Statement, certain property in the District may be exempt from taxation by the District. For tax year 2019, the District has granted a \$20,000 exemption for residential homesteads of persons who are disabled or 65 years of age or over.

### **Additional Penalties**

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

## **Tax Roll Information**

The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the certified portions of the 2016 through 2018 Certified Taxable Assessed Valuations. Differences in totals from others shown in this Official Statement are due to differences in dates of the data. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the 2019 Preliminary Taxable Assessed Valuation is not available.

	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	\$ 33,293,248	\$ 33,440,578	\$ 31,312,421
Improvements	164,541,250	156,183,799	145,067,770
Personal Property	8,335,368	9,160,758	11,161,456
Exemptions	(15,541,329)	(16,267,354)	(14,881,965)
Total	<u>\$ 190,628,537</u>	<u>\$ 182,517,781</u>	<u>\$ 172,659,682</u>

## **Principal Taxpayers**

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2018 Certified Taxable Assessed Valuation of \$190,628,537. This represents ownership as of January 1, 2018. A principal taxpayer list related to the 2019 Preliminary Taxable Assessed Valuation is not available.

Taxpayer	Type of Property	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
Woodcreek Forest Apartments Ltd.	Land & Improvements	\$ 24,204,000	12.70%
Friedkin Realty Hardy Ltd.	Land & Improvements	5,742,636	3.01%
AREC 5 LLC	Land & Improvements	5,647,821	2.96%
Cresecent Communities of TX LLC	Land & Improvements	2,962,593	1.55%
Lone Star College Bookstore #359	Personal Property	2,905,372	1.52%
Reynolds Michael M Et Al	Land & Improvements	2,498,000	1.31%
Gulf States Toyota, Inc.	Personal Property	2,434,839	1.28%
Prosperity Bank	Land, Improvements & Personal	2,055,843	1.08%
Amerco Real Estate Co.	Land	1,394,224	0.73%
Fareed Investments Inc.	Land & Improvements	1,085,085	0.57%
Total		<u>\$ 50,930,413</u>	<u>26.72%</u>

## **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 Assessed Valuation of \$190,628,537 and 2019 Preliminary Taxable Assessed Valuation of \$214,331,837. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See "DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2020-2035) .....	\$608,732
\$0.34 tax rate on 2018 Certified Taxable Assessed Valuation .....	\$615,730
\$0.30 tax rate on 2019 Preliminary Taxable Assessed Valuation .....	\$610,846
Maximum Annual Debt Service Requirement (2020).....	\$740,513
\$0.41 tax rate on the 2018 Certified Taxable Assessed Valuation .....	\$742,498
\$0.37 tax rate on the 2019 Preliminary Taxable Assessed Valuation .....	\$753,376

## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

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

### **Property Tax Code and County-Wide Appraisal District**

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

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

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; 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 and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. For the 2019 tax year, the District has granted an exemption of \$20,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was 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 the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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



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

### **Tax Abatement**

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

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

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

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

### **Rollback of Operation and Maintenance Tax Rate**

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

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2018." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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## WATER AND SEWER OPERATIONS

### General

The Bonds and the Remaining Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and net revenues, if any, derived from operation of the District's water and sewer system. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds.

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ending 2015 through 2018, and for the period ended April 30, 2019, the District's bookkeeper. Reference is made to such records and statements for further and more complete information.

	6/1/2018 to 4/30/2019 (a)	Fiscal Year Ended May 31			
		2018	2017	2016	2015
<b>Revenues:</b>					
Property Taxes	\$ 246,543	\$ 235,360	\$ 204,399	\$ 170,483	\$ 229,249
Water Service	298,671	265,249	286,401	271,348	250,318
Sewer Service	194,943	212,293	220,229	204,081	188,803
Surface Water Fees	116,497	114,485	121,353	117,613	107,527
Sales and Use Taxes	14,163	15,844	16,554	18,996	20,340
Tap Connection and Inspection Fees	3,243	-	4,975	-	130,755
Penalty and Interest	14,814	21,292	17,805	23,514	18,899
Interest on Deposits	7,341	5,533	3,175	2,737	3,211
Other Revenues	-	-	-	3,273	2,000
<b>Total Revenues</b>	<b>\$ 896,214</b>	<b>\$ 870,056</b>	<b>\$ 874,891</b>	<b>\$ 812,045</b>	<b>\$ 951,102</b>
<b>Expenditures:</b>					
Professional Fees	\$ 111,111	\$ 87,287	\$ 74,824	\$ 57,939	\$ 73,103
Contracted Services	75,625	82,760	89,538	88,050	89,773
Utilities	99,105	123,761	109,561	137,611	147,000
Groundwater Pumpage Fees	111,231	116,720	137,969	173,949	75,908
Repairs and Maintenance	226,620	203,947	155,532	110,580	150,396
Other	44,708	63,369	75,500	71,082	68,530
Administrative Expense	73,587	83,570	53,052	50,236	51,457
Capital Outlay	-	8,823	1,625	121,515	142,504
<b>Total Expenditures</b>	<b>\$ 741,987</b>	<b>\$ 770,237</b>	<b>\$ 697,601</b>	<b>\$ 810,962</b>	<b>\$ 798,671</b>
<b>Net Revenues</b>	<b>\$ 154,227</b>	<b>\$ 99,819</b>	<b>\$ 177,290</b>	<b>\$ 1,083</b>	<b>\$ 152,431</b>
<b>Fund Balance - Beginning of Period</b>	<b>\$ 1,818,931</b>	<b>\$ 1,719,112</b>	<b>\$ 1,420,307</b>	<b>\$ 1,419,224</b>	<b>\$ 1,266,793</b>
<b>Other Financing Sources (Uses)</b>	<b>\$ 86,580</b>	<b>\$ -</b>	<b>\$ 121,515</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance - End of Period</b>	<b>\$ 2,059,738</b>	<b>\$ 1,818,931</b>	<b>\$ 1,719,112</b>	<b>\$ 1,420,307</b>	<b>\$ 1,419,224</b>

(a) Unaudited. Provided by the District's Bookkeeper.

## INVESTMENT CONSIDERATIONS

### **General**

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

### **Hurricane Harvey**

The greater Houston area 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 of which was Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the System Operator and the Engineer, the District's System did not sustain any material damage, there was no interruption of water and sewer service, and to the best of their knowledge, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected.

### **Specific Flood Type Risks**

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

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

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, multifamily, and commercial properties. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for and the value of such properties. New home and commercial construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected.

## **Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Taxable Assessed Valuation of the District is \$190,628,537 (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)”). After issuance of the Bonds, the maximum annual debt service requirement will be \$740,513 (2020) and the average annual debt service requirement will be \$608,732 (2020-2035) (see “DEBT SERVICE REQUIREMENTS”). Assuming no increase or decrease from the 2018 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.41 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$740,513 and a tax rate of \$0.34 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$608,732. The 2019 Preliminary Taxable Assessed Valuation is \$214,331,837. The above calculations are reduced to \$0.30 and \$0.37, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Taxable Assessed Valuation and the 2019 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

## **Dependence on Major Taxpayers**

The ten principal taxpayers represent \$50,930,413 (26.72%) of the 2018 Certified Taxable Assessed Valuation of \$190,628,537. Of such amount, approximately 12.70% (\$24,204,000) of the 2018 certified tax roll is attributable to Woodcreek Forest Apartments Ltd. (marketed as Pines at Woodcreek Forest). If a principal taxpayer were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus available for payment of the Bonds, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could force the District to levy a high tax rate to pay principal and interest on its debt, thereby hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX DATA—Principal Taxpayers,” “TAXING PROCEDURES—Levy and Collection of Taxes.”

## **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$23,320,000 principal amount of waterworks, sewer and drainage system combination unlimited tax and revenue bonds have been authorized by the District's voters for the purposes of acquiring or constructing water, sanitary sewer and drainage facilities, \$14,560,000 of which may be used for refunding purposes, and \$8,760,000 principal amount of unlimited tax bonds have been authorized for refunding existing bonds. After the issuance of the Bonds, \$9,020,000 of waterworks, sewer and drainage system and refunding combination unlimited tax and revenue bonds and \$4,255,000 unlimited tax refunding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations or flood plain mapping could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

## **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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

## **Registered Owners' Remedies and Bankruptcy Limitations**

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

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

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

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

The District may not be placed into bankruptcy involuntarily..

### **Environmental Regulations**

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

### **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 as such bonds are more generally bought, sold or traded in the secondary market.

### **Continuing Compliance with Certain Covenants**

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.”

### **Changes in Tax Legislation**

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

### **Legislation Affecting Ad Valorem Taxation**

The 86th Regular Legislative Session convened on January 8, 2019 and concluded on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 (“SB 2”), a law that materially changes ad valorem tax matters, including automatic rollback elections for maintenance tax increases for certain districts, and other matters which may have an adverse impact on the District's operations and, therefore, the marketability or market value of the Bonds.

As of the date of this Official Statement, SB 2 is awaiting signature by the Governor. Pursuant to Article IV, section 14 of the Texas Constitution, the Governor has until June 16, 2019 (the 20th day following final adjournment of the 86th Regular Legislative Session), to sign or veto bills passed during the regular session. If the Governor takes no action by June 16, 2019, the bills passed during the regular sessions will automatically become law regardless of the Governor's signature.

At this time, the District cannot predict whether SB 2 will be signed into law by the Governor or whether the Governor will call a special session to address other property tax reforms not included in SB 2.

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The District has entered into an agreement with Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Bacon & Wallace, L.L.P. (“Bond Counsel”) to the effect that, (i) based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity and (ii) assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds, that interest on the Bonds is excludable from gross income for Federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS—Tax Exemption” herein. Bond Counsel’s opinion also addresses the matters described below under “TAX MATTERS—Tax Exemption.” Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in the Official Statement under “PLAN OF FINANCING—Payment of this Refunded Bond,” “THE BONDS,” “THE DISTRICT— General,” “MANAGEMENT—Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor 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 information contained herein, other than the matters discussed immediately above.

Bacon & Wallace, L.L.P. acts as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **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 financial condition of the District from that set forth or contemplated in the Preliminary Official Statement, as amended or supplemented through the date of sale.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

## **TAX MATTERS**

### **Tax Exemption**

On the date of initial delivery of the Bonds, Bacon & Wallace, L.L.P., Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

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

### **Qualified Tax-Exempt Obligations - Purchase of the Bonds by Financial Institutions**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution’s investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000 for tax-exempt obligations issued in 2018.

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

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

### **Collateral Federal Income Tax Consequences**

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

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

### **State, Local and Foreign Taxes**

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

## **Tax Accounting Treatment of Premium on Certain Bonds**

The initial public offering price of certain Bonds (the “Premium Bonds”) is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

## **MUNICIPAL BOND RATING**

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

The rating reflects only the view of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## **MUNICIPAL BOND INSURANCE**

### **Municipal Bond Insurance Policy**

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

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

### *Current Financial Strength Ratings*

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

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

### *Capitalization of AGM*

At March 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,054 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

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

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

## *Miscellaneous Matters*

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

## **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 funds deposited with to the Payment Account for the payment of the Refunded Bonds; (b) the mathematical computations of yield; and (c) compliance with 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.

## **SALE AND DISTRIBUTION OF THE BONDS**

### **The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$3,698,884.16 (representing the principal amount of the Bonds of \$3,610,000.00, plus a premium on the Bonds of \$122,159.90, less an Underwriter’s discount of \$33,275.74) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

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

### **Prices and Marketability of the Bonds**

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 that stabilize or maintain the market prices of the Bonds at levels above those that 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 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, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

### **Securities Laws**

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. 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 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 engaged 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, 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.

### **Bond Counsel**

Bacon & Wallace, L.L.P. is engaged as Bond Counsel for the District and has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor 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 the limited participation of such firm 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.

### **Consultants**

In approving this Official Statement the District has relied upon the following consultants.

**Engineer:** The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Koehn & Associates Engineers, Inc., Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

**Auditor:** The District's financial statements for the fiscal year ending May 31, 2018 were audited by Roth & Eyring, PLLC. See APPENDIX A for a copy of the District's audited financial statements for the fiscal year ended May 31, 2018.

**Bookkeeper:** The information related to the "unaudited" summary of the District's General Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal 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 the Underwriter 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

### **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required under the exemption, in the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in APPENDIX A (Financial Statements of the District and certain supplemental schedules). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2019. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if 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 shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond 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 May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Specified Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 17 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation 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 a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the DISTRICT in accordance with SEC Rule 15c2-12 with the exception of the following. An Event Notice for the S&P upgrade of the underlying rating of the District's general obligation bonds from "BBB+" to "A-" that occurred on July 1, 2015 was not filed within ten business days of the rating change. The District filed the Event Notice on September 29, 2016. The District has implemented procedures to ensure timely filing of all future submissions.

### **MISCELLANEOUS**

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

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

/s/ Roy L. Cook  
President, Board of Directors  
Woodcreek Municipal Utility District

ATTEST:

/s/ Charles D. Carter  
Secretary, Board of Directors  
Woodcreek Municipal Utility District

## **APPENDIX A**

### **Financial Statement of the District for the year ended May 31, 2018**

WOODCREEK MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

MAY 31, 2018

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# Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

September 20, 2018

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Woodcreek Municipal  
Utility District  
Harris County, Texas

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 21 to 37 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

A handwritten signature in black ink that reads "North & Cousins, PLLC". The signature is written in a cursive, flowing style.



## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Woodcreek Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2018.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

#### *Fund Financial Statements*

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

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

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

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

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

Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 5,947,510	\$ 5,853,484	\$ 94,026
Capital assets	5,295,014	5,437,156	(142,142)
Total assets	<u>11,242,524</u>	<u>11,290,640</u>	<u>(48,116)</u>
Long-term liabilities	7,618,265	8,028,921	(410,656)
Other liabilities	679,204	629,262	49,942
Total liabilities	<u>8,297,469</u>	<u>8,658,183</u>	<u>(360,714)</u>
Net position:			
Invested in capital assets, net of related debt	(2,733,907)	(2,951,106)	217,199
Restricted	3,847,739	3,853,739	(6,000)
Unrestricted	1,831,223	1,729,824	101,399
Total net position	<u>\$ 2,945,055</u>	<u>\$ 2,632,457</u>	<u>\$ 312,598</u>

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 961,928	\$ 972,434	\$ (10,506)
Charges for services	613,319	811,315	(197,996)
Other revenues	46,687	25,048	21,639
Total revenues	<u>1,621,934</u>	<u>1,808,797</u>	<u>(186,863)</u>
Expenses:			
Service operations	993,825	933,399	60,426
Debt service	315,511	509,996	(194,485)
Total expenses	<u>1,309,336</u>	<u>1,443,395</u>	<u>(134,059)</u>
Change in net position	312,598	365,402	(52,804)
Net position, beginning of year	<u>2,632,457</u>	<u>2,267,055</u>	<u>365,402</u>
Net position, end of year	<u>\$ 2,945,055</u>	<u>\$ 2,632,457</u>	<u>\$ 312,598</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended May 31, 2018, were \$5,691,245, an increase of \$51,839 from the prior year.

The General Fund balance increased by \$99,819, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$28,121, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$19,859 as authorized expenditures exceeded interest earnings.

### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of budgeted to actual amounts is presented on Page 20 of this report. The budgetary fund balance as of May 31, 2018, was expected to be \$1,759,022 and the actual end of year fund balance was \$1,818,931.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land and easements	\$ 718,992	\$ 718,992	\$ 0
Detention ponds	572,404	572,404	0
Construction in progress	239,286	195,317	43,969
Water facilities	769,839	811,226	(41,387)
Sewer facilities	<u>2,994,493</u>	<u>3,139,217</u>	<u>(144,724)</u>
Totals	<u>\$ 5,295,014</u>	<u>\$ 5,437,156</u>	<u>\$ (142,142)</u>

Changes to capital assets during the fiscal year ended May 31, 2018, are summarized as follows:

Additions:	
Water plant improvements	\$ 52,792
Decreases:	
Depreciation	<u>(194,934)</u>
Net change to capital assets	<u>\$ (142,142)</u>

#### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended May 31, 2018, are summarized as follows:

Bonded debt payable, beginning of year	\$ 8,625,000
Bonds paid	<u>(415,000)</u>
Bonded debt payable, end of year	<u>\$ 8,210,000</u>

At May 31, 2018, the District had \$9,020,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of A- by Standard & Poor's. The Series 2010 and Series 2016 bonds are insured by Assured Guaranty Municipal Corp. and Build America Mutual Assurance Company, respectively. The insured rating of the Series 2010 and 2016 bonds is AA by Standard & Poor's. There were no changes in the ratings of the bonds during the fiscal year ended May 31, 2018.

## RELEVANT FACTORS AND WATER SUPPLY ISSUES

### *Property Tax Base*

The District's tax base increased approximately \$9,800,000 (about 6%) for the 2017 tax year due to the increase in average assessed valuations on existing property.

### *Relationship to the City of Houston*

Utilizing a provision of Texas law, effective December 13, 2010, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purpose of imposition of the City's Sales and Use Tax. In addition, the Agreement provides that the City shall apply and enforce within the Partial District the most current section of the City's fire code banning fireworks as adopted by City Council. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas.

### *Water Supply Issues*

The Harris-Galveston Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control groundwater withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan, specific major water users, including those in Area 3, must reduce groundwater withdrawals to no more than 70% by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035. Additionally, each such water user, including the District, is required to have either a certified Groundwater Reduction Plan ("GRP") on file with the Subsidence District or to be part of a regional GRP; otherwise, the District risks being assessed a penalty per 1,000 gallons of water pumped. The District has opted to become part of the City of Houston (the "City") GRP pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system or should the District determine that it would be in the District's best interest to supplement or replace its groundwater supply with surface water.

WOODCREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2018

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 1,801,074	\$ 668,985	\$ 2,756,894	\$ 5,226,953	\$	\$ 5,226,953
Certificates of deposit, at cost, Note 7	99,784		492,890	592,674		592,674
Receivables:						
Property taxes	12,292	35,485		47,777		47,777
Accrued penalty and interest on property taxes				0	11,245	11,245
Service accounts	60,018			60,018		60,018
Sales and Use Taxes, Note 11	4,222			4,222		4,222
Accrued interest	410		4,211	4,621		4,621
Maintenance taxes collected not yet transferred from other fund	2,448			2,448	(2,448)	0
Due from other fund	42,039			42,039	(42,039)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	1,530,682	1,530,682
Depreciable capital assets				0	3,764,332	3,764,332
Total assets	<u>\$ 2,022,287</u>	<u>\$ 704,470</u>	<u>\$ 3,253,995</u>	<u>\$ 5,980,752</u>	<u>5,261,772</u>	<u>11,242,524</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 80,489	\$ 6,179	\$	\$ 86,668		86,668
Accrued interest payable				0	71,305	71,305
Customer deposits	110,575			110,575		110,575
Maintenance taxes collected not yet transferred to other fund		2,448		2,448	(2,448)	0
Due to other fund			42,039	42,039	(42,039)	0
Long-term liabilities, Note 5:						
Due within one year				0	410,656	410,656
Due in more than one year				0	7,618,265	7,618,265
Total liabilities	<u>191,064</u>	<u>8,627</u>	<u>42,039</u>	<u>241,730</u>	<u>8,055,739</u>	<u>8,297,469</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>12,292</u>	<u>35,485</u>	<u>0</u>	<u>47,777</u>	<u>(47,777)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Assigned to:						
Debt service		660,358		660,358	(660,358)	0
Capital projects			3,211,956	3,211,956	(3,211,956)	0
Unassigned	<u>1,818,931</u>			<u>1,818,931</u>	<u>(1,818,931)</u>	<u>0</u>
Total fund balances	<u>1,818,931</u>	<u>660,358</u>	<u>3,211,956</u>	<u>5,691,245</u>	<u>(5,691,245)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,022,287</u>	<u>\$ 704,470</u>	<u>\$ 3,253,995</u>	<u>\$ 5,980,752</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(2,733,907)	(2,733,907)
Restricted for debt service					635,783	635,783
Restricted for capital projects					3,211,956	3,211,956
Unrestricted					<u>1,831,223</u>	<u>1,831,223</u>
Total net position					<u>\$ 2,945,055</u>	<u>\$ 2,945,055</u>

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

WOODCREEK MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED MAY 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 235,360	\$ 708,858	\$	\$ 944,218	\$ 3,335	\$ 947,553
Water service	265,249			265,249		265,249
Sewer service	212,293			212,293		212,293
Surface water fees, Note 9	114,485			114,485		114,485
Penalty and interest	21,292	12,629		33,921	1,746	35,667
Tap connection and inspection fees				0		0
Sales and Use Taxes, Note 10	15,844			15,844		15,844
Interest on deposits	5,533	1,200	24,110	30,843		30,843
Total revenues	<u>870,056</u>	<u>722,687</u>	<u>24,110</u>	<u>1,616,853</u>	<u>5,081</u>	<u>1,621,934</u>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Professional fees	87,287	3,614		90,901		90,901
Contracted services	82,760	20,740		103,500		103,500
Utilities	123,761			123,761		123,761
Groundwater pumpage fees, Note 9	116,720			116,720		116,720
Repairs and maintenance	203,947			203,947		203,947
Other operating expenditures	63,369			63,369		63,369
Administrative expenditures	83,570	13,123		96,693		96,693
Depreciation				0	194,934	194,934
Capital outlay / non-capital outlay	8,823		43,969	52,792	(52,792)	0
Debt service:						
Principal retirement		415,000		415,000	(415,000)	0
Interest and fees		298,331		298,331	17,180	315,511
Total expenditures / expenses	<u>770,237</u>	<u>750,808</u>	<u>43,969</u>	<u>1,565,014</u>	<u>(255,678)</u>	<u>1,309,336</u>
Excess (deficiency) of revenues over expenditures	<u>99,819</u>	<u>(28,121)</u>	<u>(19,859)</u>	<u>51,839</u>	<u>260,759</u>	<u>312,598</u>
Net change in fund balances / net position	99,819	(28,121)	(19,859)	51,839	260,759	312,598
Beginning of year	<u>1,719,112</u>	<u>688,479</u>	<u>3,231,815</u>	<u>5,639,406</u>	<u>(3,006,949)</u>	<u>2,632,457</u>
End of year	<u>\$ 1,818,931</u>	<u>\$ 660,358</u>	<u>\$ 3,211,956</u>	<u>\$ 5,691,245</u>	<u>\$ (2,746,190)</u>	<u>\$ 2,945,055</u>

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

WOODCREEK MUNICIPAL UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSMAY 31, 2018

## NOTE 1: REPORTING ENTITY

Woodcreek Municipal Utility District (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective January 10, 1973, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on April 4, 1973 and the first bonds were sold on April 25, 1979. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

#### Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Capital Assets

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

### Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,691,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		5,295,014
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (8,210,000)	
Issuance discount (to be amortized as interest expense)	<u>181,079</u>	(8,028,921)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	11,245	
Uncollected property taxes	<u>47,777</u>	59,022
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(71,305)</u>
Net position, end of year		<u>\$ 2,945,055</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances	\$	51,839
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$	52,792
Depreciation	<u>(194,934)</u>	(142,142)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		415,000
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount		(20,083)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,746	
Uncollected property taxes	<u>3,335</u>	5,081
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>2,903</u>
Change in net position	<u>\$</u>	<u>312,598</u>

NOTE 4: CAPITAL ASSETS

At May 31, 2018, "Invested in capital assets, net of related debt" was \$(2,733,907). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended May 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 718,992	\$	\$	\$ 718,992
Detention ponds	572,404			572,404
Construction in progress	<u>195,317</u>	<u>43,969</u>		<u>239,286</u>
Total capital assets not being depreciated	<u>1,486,713</u>	<u>43,969</u>	<u>0</u>	<u>1,530,682</u>
Depreciable capital assets:				
Water system	2,008,250	8,823		2,017,073
Sewer system	<u>4,281,155</u>			<u>4,281,155</u>
Total depreciable capital assets	<u>6,289,405</u>	<u>8,823</u>	<u>0</u>	<u>6,298,228</u>
Less accumulated depreciation for:				
Water system	(1,197,024)	(50,210)		(1,247,234)
Sewer system	<u>(1,141,938)</u>	<u>(144,724)</u>		<u>(1,286,662)</u>
Total accumulated depreciation	<u>(2,338,962)</u>	<u>(194,934)</u>	<u>0</u>	<u>(2,533,896)</u>
Total depreciable capital assets, net	<u>3,950,443</u>	<u>(186,111)</u>	<u>0</u>	<u>3,764,332</u>
Total capital assets, net	<u>\$ 5,437,156</u>	<u>\$ (142,142)</u>	<u>\$ 0</u>	<u>\$ 5,295,014</u>
Changes to capital assets:				
Capital outlay		\$ 52,792	\$	
Less depreciation expense for the fiscal year		<u>(194,934)</u>		
Net increases / decreases to capital assets		<u>\$ (142,142)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended May 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 8,625,000	\$	\$ 415,000	\$ 8,210,000	\$ 430,000
Less deferred amounts:					
For issuance discounts	<u>(201,162)</u>		<u>(20,083)</u>	<u>(181,079)</u>	<u>(19,344)</u>
Total bonds payable	<u>8,423,838</u>	<u>0</u>	<u>394,917</u>	<u>8,028,921</u>	<u>410,656</u>
Total long-term liabilities	<u>\$ 8,423,838</u>	<u>\$ 0</u>	<u>\$ 394,917</u>	<u>\$ 8,028,921</u>	<u>\$ 410,656</u>

Developer Construction Commitments and Liabilities

At May 31, 2018, there were no material developer commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of May 31, 2018, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 430,000	\$ 285,219	\$ 715,219
2020	440,000	273,119	713,119
2021	455,000	260,694	715,694
2022	470,000	245,494	715,494
2023	485,000	228,194	713,194
2024 - 2028	2,705,000	857,670	3,562,670
2029 - 2033	2,425,000	349,687	2,774,687
2034 - 2035	<u>800,000</u>	<u>39,000</u>	<u>839,000</u>
	<u>\$ 8,210,000</u>	<u>\$ 2,539,077</u>	<u>\$ 10,749,077</u>

Bonds voted	\$ 25,060,000
Bonds approved for sale and sold	16,040,000
Bonds voted and not issued	9,020,000
Refunding bonds voted	8,760,000
Refunding bonds sold	7,675,000*
Refunding bonds voted and not issued	4,330,000

\*The District may issue refunding bonds in a principal amount not greater than the principal amount of refunded bonds, including the issuance of bonds sold at a substantial premium, without additional voted authority.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

In accordance with the Series 2016 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year	\$ 35,576
Appropriation for bond interest paid	<u>(35,576)</u>
Bond interest reserve, end of year	<u>\$ 0</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at May 31, 2018, were as follows:

	<u>Series 2010</u>	<u>Series 2016</u>
Amounts outstanding, May 31, 2018	\$4,410,000	\$3,800,000
Interest rates	3.25% to 4.125%	2.00% to 3.25%
Maturity dates, serially beginning/ending	March 1, 2018/2030	March 1, 2018/2035
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	March 1, 2019*	March 1, 2024*

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

**NOTE 6: PROPERTY TAXES**

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

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

At an election held April 1, 1978, the voters within the District authorized a maintenance tax not to exceed \$0.20 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 19, 2017, the District levied the following ad valorem taxes for the 2017 tax year on the adjusted taxable valuation of \$182,503,910:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.3900	\$ 711,762
Maintenance	<u>0.1300</u>	<u>237,254</u>
	<u>\$ 0.5200</u>	<u>\$ 949,016</u>

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

2017 tax year total property tax levy	\$ 949,016
Appraisal district adjustments to prior year taxes	<u>(1,463)</u>
Statement of Activities property tax revenues	<u>\$ 947,553</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 7: DEPOSITS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$5,819,627 and the bank balance was \$5,834,191. Of the bank balance, \$1,588,597 was covered by federal insurance and \$4,245,594 was covered by an irrevocable letter of credit in favor of the District.

Deposits restricted by state statutes and Bond Orders:

#### Debt Service Fund

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

Cash	\$ 668,985
------	------------

#### Capital Projects Fund

For construction of capital assets:

Cash	\$ 2,756,894
Temporary investments	<u>492,890</u>
	<u>\$ 3,249,784</u>

### NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At May 31, 2018, the District had physical damage and boiler and machinery coverage of \$4,651,502, general liability coverage with a per occurrence limit of \$10,000,000 and \$10,000,000 general aggregate, pollution liability coverage of \$2,000,000, automobile liability coverage of \$2,000,000, consultant's crime coverage of \$100,000, a tax assessor-collector bond of \$100,000 and statutory workers' compensation coverage with the Texas Municipal League Intergovernmental Risk Pool (the "Pool"). The Pool is a public entity risk pool currently operating as a common risk management and insurance program for various Texas public entities. The District pays annual premiums for its general insurance coverage. The Pool purchases reinsurance for protection against catastrophic losses that exceed the Pool's self-insurance retention. This reinsurance is purchased from companies rated A- or higher by A. M. Best Company.



NOTES TO THE FINANCIAL STATEMENTS (Continued)**NOTE 9: SURFACE WATER FEES**

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the "Agreement") with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris Galveston Subsidence District (the "Subsidence District"). The Agreement expires at noon on December 31, 2040. Under the terms of the Agreement, the City of Houston is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. The District pays to the City a monthly pumpage charge based on the District's water pumpage. The District's groundwater fees payable to the City for the fiscal year ended May 31, 2018, were \$116,720. The District billed its customers \$114,485 for groundwater fees during the fiscal year ended May 31, 2018. The District furnished water through an interconnect with another district during fiscal year and will be repaid by the other district with water in the next fiscal year.

**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT**

Utilizing a provision of Texas law, effective December 13, 2010, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purpose of imposition of the City's Sales and Use Tax. In addition, the Agreement provides that the City shall apply and enforce within the Partial District the most current section of the City's fire code banning fireworks as adopted by City Council. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$15,844 from the City for the fiscal year ended May 31, 2018. \$4,222 of this amount was receivable at that date.

WOODCREEK MUNICIPAL UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2018

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 265,000	\$ 265,000	\$ 235,360	\$ (29,640)
Water service	300,000	300,000	265,249	(34,751)
Sewer service	200,000	200,000	212,293	12,293
Surface water fees	115,000	115,000	114,485	(515)
Penalty	20,000	20,000	21,292	1,292
Sales and Use Taxes	0	0	15,844	15,844
Interest on deposits	2,600	2,600	5,533	2,933
Other revenues	2,500	2,500	0	(2,500)
<b>TOTAL REVENUES</b>	<b>905,100</b>	<b>905,100</b>	<b>870,056</b>	<b>(35,044)</b>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	96,250	96,250	87,287	(8,963)
Contracted services	79,500	79,500	82,760	3,260
Utilities	150,000	150,000	123,761	(26,239)
Groundwater pumpage fees	206,000	206,000	116,720	(89,280)
Repairs and maintenance	170,000	170,000	203,947	33,947
Other operating expenditures	84,760	84,760	63,369	(21,391)
Administrative expenditures	73,680	73,680	83,570	9,890
Capital outlay	5,000	5,000	8,823	3,823
<b>TOTAL EXPENDITURES</b>	<b>865,190</b>	<b>865,190</b>	<b>770,237</b>	<b>(94,953)</b>
<b>EXCESS REVENUES (EXPENSES)</b>	<b>39,910</b>	<b>39,910</b>	<b>99,819</b>	<b>59,909</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,719,112</b>	<b>1,719,112</b>	<b>1,719,112</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,759,022</b>	<b>\$ 1,759,022</b>	<b>\$ 1,818,931</b>	<b>\$ 59,909</b>

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

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
MAY 31, 2018

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

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

WOODCREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
MAY 31, 2018

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$10.00	5,000	N	\$1.10	5,001 to 10,000
				1.50	10,001 to 15,000
				2.00	Over 15,000
WASTEWATER:	\$10.00	5,000	N	\$0.50	5,001 to 10,000
				0.75	10,001 to 15,000
				1.00	Over 15,000

SURCHARGE:           \$1.01 per 1,000 gallons of water used – City of Houston groundwater fees.  
                              0.50 % of monthly billing - TCEQ assessment fees.

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$15.50   Wastewater: \$12.50   Surcharge: \$10.24

WOODCREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES (Continued)  
MAY 31, 2018

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	882	877	1.0	877
1"	6	6	2.5	15
1-1/2"	9	8	5.0	40
2"	8	8	8.0	64
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	<u>907</u>	<u>901</u>		<u>1,156</u>
Total Wastewater	<u>904</u>	<u>898</u>	1.0	<u>898</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 126,639  
 Gallons billed to customers (unaudited): 117,029

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 92%

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

WOODCREEK MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Professional fees:				
Auditing	\$ 10,600	\$	\$	\$ 10,600
Legal	43,171	3,614		46,785
Engineering	33,516			33,516
	<u>87,287</u>	<u>3,614</u>	<u>0</u>	<u>90,901</u>
Contracted services:				
Bookkeeping	16,428			16,428
Operation and billing	66,332			66,332
Tax assessor-collector		13,548		13,548
Central appraisal district		7,192		7,192
	<u>82,760</u>	<u>20,740</u>	<u>0</u>	<u>103,500</u>
Utilities	<u>123,761</u>	<u>0</u>	<u>0</u>	<u>123,761</u>
Groundwater pumpage fees	<u>116,720</u>	<u>0</u>	<u>0</u>	<u>116,720</u>
Repairs and maintenance	<u>203,947</u>	<u>0</u>	<u>0</u>	<u>203,947</u>
Other operating expenditures:				
Sludge hauling	13,031			13,031
Chemicals	11,251			11,251
Laboratory costs	21,443			21,443
Sewer inspection costs	1,325			1,325
Reconnection costs	7,860			7,860
TCEQ assessment	2,342			2,342
Other	6,117			6,117
	<u>63,369</u>	<u>0</u>	<u>0</u>	<u>63,369</u>
Administrative expenditures:				
Director's fees	9,000			9,000
Office supplies and postage	16,553			16,553
Insurance	12,100			12,100
Permit fees	13,035			13,035
Other	32,882	13,123		46,005
	<u>83,570</u>	<u>13,123</u>	<u>0</u>	<u>96,693</u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTEXPENDITURES (Continued)FOR THE YEAR ENDED MAY 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ <u>8,823</u>	\$ <u>0</u>	\$ <u>43,969</u>	\$ <u>52,792</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>415,000</u>	<u>0</u>	<u>415,000</u>
Interest and fees:				
Interest		296,831		296,831
Paying agent fees		1,500		1,500
	<u>0</u>	<u>298,331</u>	<u>0</u>	<u>298,331</u>
TOTAL EXPENDITURES	\$ <u><u>770,237</u></u>	\$ <u><u>750,808</u></u>	\$ <u><u>43,969</u></u>	\$ <u><u>1,565,014</u></u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTANALYSIS OF CHANGES IN DEPOSITS  
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED MAY 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 623,691	\$ 722,687	\$ 20,590	\$ 1,366,968
Maintenance tax receipts		235,360		235,360
Transfer of maintenance taxes	234,299			234,299
Reimbursement from other fund	36,524			36,524
Increase in customer deposits	9,825			9,825
Overpayments by taxpayers		3,388		3,388
<b>TOTAL DEPOSITS PROVIDED</b>	<u>904,339</u>	<u>961,435</u>	<u>20,590</u>	<u>1,886,364</u>
<b>APPLICATIONS OF DEPOSITS</b>				
Cash disbursements for:				
Current expenditures	730,894	31,560		762,454
Capital outlay	8,823		5,134	13,957
Debt service		713,331		713,331
Other fund	42,039			42,039
Maintenance tax transfers		234,299		234,299
Reimbursement to other fund			36,524	36,524
Refund of taxpayer overpayments		6,998		6,998
<b>TOTAL DEPOSITS APPLIED</b>	<u>781,756</u>	<u>986,188</u>	<u>41,658</u>	<u>1,809,602</u>
<b>INCREASE (DECREASE) IN DEPOSITS</b>	122,583	(24,753)	(21,068)	76,762
<b>DEPOSITS BALANCES, BEGINNING OF YEAR</b>	<u>1,778,275</u>	<u>693,738</u>	<u>3,270,852</u>	<u>5,742,865</u>
<b>DEPOSITS BALANCES, END OF YEAR</b>	<u>\$ 1,900,858</u>	<u>\$ 668,985</u>	<u>\$ 3,249,784</u>	<u>\$ 5,819,627</u>

See accompanying independent auditor's report.



WOODCREEK MUNICIPAL UTILITY DISTRICTSCHEDULE OF CERTIFICATES OF DEPOSITMAY 31, 2018

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 1852001167	0.75%	11/12/18	<u>\$ 99,784</u>	<u>\$ 410</u>
CAPITAL PROJECTS FUND				
Certificates of Deposit				
No. 1002205391	1.00%	8/07/18	\$ 246,296	\$ 2,004
No. 9009000837	1.10%	8/07/18	<u>246,594</u>	<u>2,207</u>
			<u>\$ 492,890</u>	<u>\$ 4,211</u>
Total – All Funds			<u>\$ 592,674</u>	<u>\$ 4,621</u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTTAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED MAY 31, 2018

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 10,712	\$ 33,730
Additions and corrections to prior year taxes	<u>(314)</u>	<u>(1,149)</u>
Adjusted receivable, beginning of year	10,398	32,581
2017 ADJUSTED TAX ROLL	<u>237,254</u>	<u>711,762</u>
Total to be accounted for	247,652	744,343
Tax collections: Current tax year	(230,484)	(691,452)
Prior tax years	<u>(4,876)</u>	<u>(17,406)</u>
RECEIVABLE, END OF YEAR	<u>\$ 12,292</u>	<u>\$ 35,485</u>
RECEIVABLE, BY TAX YEAR		
2008	\$ 166	\$ 331
2009	533	863
2010	459	1,071
2011	406	948
2012	533	1,150
2013	552	1,287
2014	651	1,374
2015	751	2,754
2016	1,471	5,396
2017	<u>6,770</u>	<u>20,310</u>
RECEIVABLE, END OF YEAR	<u>\$ 12,292</u>	<u>\$ 35,485</u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTTAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED MAY 31, 2018

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 33,440,578	\$ 31,312,421	\$ 28,776,739	\$ 28,370,837
Improvements	156,334,078	145,052,791	118,285,978	104,033,461
Personal property	8,865,235	11,022,836	10,815,271	6,720,231
Less exemptions	<u>(16,135,981)</u>	<u>(14,681,353)</u>	<u>(14,900,185)</u>	<u>(14,222,654)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 182,503,910</u>	<u>\$ 172,706,695</u>	<u>\$ 142,977,803</u>	<u>\$ 124,901,875</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.39000	\$ 0.44000	\$ 0.44000	\$ 0.38000
Maintenance tax rates*	<u>0.13000</u>	<u>0.12000</u>	<u>0.12000</u>	<u>0.18000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.52000</u>	<u>\$ 0.56000</u>	<u>\$ 0.56000</u>	<u>\$ 0.56000</u>
TAX ROLLS	<u>\$ 949,016</u>	<u>\$ 967,154</u>	<u>\$ 800,672</u>	<u>\$ 699,446</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>97.1 %</u>	<u>99.3 %</u>	<u>99.6 %</u>	<u>99.7 %</u>

\*Maximum tax rate approved by voters on April 1, 1978: \$0.20

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
MAY 31, 2018

Due During Fiscal Years Ending May 31	Series 2010		
	Principal Due March 1	Interest Due September 1, March 1	Total
2019	\$ 280,000	\$ 172,719	\$ 452,719
2020	290,000	163,619	453,619
2021	305,000	154,194	459,194
2022	320,000	141,994	461,994
2023	335,000	129,194	464,194
2024	355,000	115,794	470,794
2025	370,000	101,594	471,594
2026	390,000	86,794	476,794
2027	410,000	71,194	481,194
2028	430,000	54,794	484,794
2029	450,000	37,594	487,594
2030	475,000	19,593	494,593
TOTALS	<u>\$ 4,410,000</u>	<u>\$ 1,249,077</u>	<u>\$ 5,659,077</u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTLONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MAY 31, 2018

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2016</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 150,000	\$ 112,500	\$ 262,500
2020	150,000	109,500	259,500
2021	150,000	106,500	256,500
2022	150,000	103,500	253,500
2023	150,000	99,000	249,000
2024	150,000	94,500	244,500
2025	150,000	90,000	240,000
2026	150,000	85,500	235,500
2027	150,000	81,000	231,000
2028	150,000	76,500	226,500
2029	150,000	72,000	222,000
2030	150,000	67,500	217,500
2031	400,000	63,000	463,000
2032	400,000	51,000	451,000
2033	400,000	39,000	439,000
2034	400,000	26,000	426,000
2035	400,000	13,000	413,000
TOTALS	<u>\$ 3,800,000</u>	<u>\$ 1,290,000</u>	<u>\$ 5,090,000</u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTLONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MAY 31, 2018

Due During Fiscal Years Ending May 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2019	\$ 430,000	\$ 285,219	\$ 715,219
2020	440,000	273,119	713,119
2021	455,000	260,694	715,694
2022	470,000	245,494	715,494
2023	485,000	228,194	713,194
2024	505,000	210,294	715,294
2025	520,000	191,594	711,594
2026	540,000	172,294	712,294
2027	560,000	152,194	712,194
2028	580,000	131,294	711,294
2029	600,000	109,594	709,594
2030	625,000	87,093	712,093
2031	400,000	63,000	463,000
2032	400,000	51,000	451,000
2033	400,000	39,000	439,000
2034	400,000	26,000	426,000
2035	400,000	13,000	413,000
TOTALS	<u>\$ 8,210,000</u>	<u>\$ 2,539,077</u>	<u>\$ 10,749,077</u>

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED MAY 31, 2018

	<u>(1)</u>	<u>(2)</u>	
Bond Series:	2010	2016	
Interest Rate:	3.25% to 4.125%	2.00% to 3.25%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	March 1, 2019/2030	March 1, 2019/2035	
Bonds Outstanding at Beginning of Current Year	\$ 4,675,000	\$ 3,950,000	\$ 8,625,000
Less Retirements	<u>(265,000)</u>	<u>(150,000)</u>	<u>(415,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,410,000</u>	<u>\$ 3,800,000</u>	<u>\$ 8,210,000</u>
Current Year Interest Paid	<u>\$ 181,331</u>	<u>\$ 115,500</u>	<u>\$ 296,831</u>

Bond Descriptions and Original Amount of Issue

- (1) Woodcreek Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2010 (\$4,675,000)
- (2) Woodcreek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2016 (\$4,050,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 25,060,000	\$ 0	\$ 8,760,000
Amount Issued:	16,040,000		7,675,000*
Remaining to be Issued:	9,020,000		4,330,000

\*The District may issue refunding bonds in a principal amount not greater than the principal amount of refunded bonds, including the issuance of bonds sold at a substantial premium, without additional voted authority.

Debt Service Fund deposits balances as of May 31, 2018:	\$660,358
Average annual debt service payment for remaining term of all debt:	632,299

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	\$ 235,360	\$ 204,399	\$ 170,483	\$ 229,249	\$ 203,748	27.1 %	23.4 %	21.0 %	24.1 %	24.2 %
Water service	265,249	286,401	271,348	250,318	265,682	30.5	32.6	33.5	26.4	31.7
Sewer service	212,293	220,229	204,081	188,803	192,627	24.4	25.2	25.1	19.9	22.9
Surface water fees	114,485	121,353	117,613	107,527	119,640	13.2	13.9	14.5	11.3	14.2
Penalty and other revenues	21,292	17,805	22,269	20,899	33,339	2.4	2.0	2.7	2.2	4.0
Tap connection and inspection fees	0	4,975	0	130,755	0	0.0	0.6	0.0	13.7	0.0
Sales and Use Taxes	15,844	16,554	23,514	20,340	21,670	1.8	1.9	2.9	2.1	2.6
Interest on deposits and investments	5,533	3,175	2,737	3,211	3,693	0.6	0.4	0.3	0.3	0.4
TOTAL REVENUES	870,056	874,891	812,045	951,102	840,399	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	87,287	74,824	57,939	73,103	54,301	10.0	8.6	7.1	7.7	6.5
Contracted services	82,760	89,538	88,050	89,773	82,240	9.5	10.2	10.8	9.4	9.8
Utilities	123,761	109,561	137,611	147,000	134,909	14.2	12.5	16.9	15.5	16.0
Groundwater pumpage fees	116,720	137,969	173,949	75,908	129,660	13.4	15.7	21.5	8.0	15.4
Repairs and maintenance	203,947	155,532	110,580	150,396	132,198	23.5	17.8	13.6	15.8	15.7
Other operating expenditures	63,369	75,500	71,082	68,530	72,840	7.3	8.6	8.8	7.2	8.7
Administrative expenditures	83,570	53,052	50,236	51,457	57,046	9.6	6.1	6.2	5.4	6.8
Capital outlay	8,823	1,625	121,515	142,504	24,285	1.0	0.2	15.0	15.0	2.9
TOTAL EXPENDITURES	770,237	697,601	810,962	798,671	687,479	88.5	79.7	99.9	84.0	81.8
EXCESS REVENUES (EXPENDITURES)	\$ 99,819	\$ 177,290	\$ 1,083	\$ 152,431	\$ 152,920	11.5 %	20.3 %	0.1 %	16.0 %	18.2 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	901	901	897	893	894					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	898	898	894	890	889					



WOODCREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	\$ 708,858	\$ 749,177	\$ 621,424	\$ 485,243	\$ 474,871	98.1 %	97.8 %	98.5 %	97.4 %	98.0 %
Penalty and interest	12,629	9,824	8,512	12,362	9,330	1.7	1.3	1.4	2.5	1.9
Accrued interest on bonds received at date of sale	0	6,201	0	0	0	0.0	0.8	0.0	0.0	0.0
Interest on deposits and investments and other	1,200	664	348	389	640	0.2	0.1	0.1	0.1	0.1
TOTAL REVENUES	722,687	765,866	630,284	497,994	484,841	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	3,614	6,269	733	4,995	2,779	0.5	0.8	0.1	1.0	0.6
Contracted services	20,740	20,282	19,655	19,108	22,254	2.9	2.6	3.1	3.8	4.6
Other expenditures	13,123	14,754	13,618	11,927	6,375	1.8	1.9	2.2	2.4	1.3
Debt service:										
Principal retirement	415,000	375,000	275,000	275,000	275,000	57.4	49.1	43.6	55.2	56.7
Interest and fees	298,331	223,144	206,069	217,069	227,369	41.3	29.1	32.7	43.6	46.9
TOTAL EXPENDITURES	750,808	639,449	515,075	528,099	533,777	103.9	83.5	81.7	106.0	110.1
EXCESS REVENUES (EXPENDITURES)	\$ (28,121)	\$ 126,417	\$ 115,209	\$ (30,105)	\$ (48,936)	(3.9) %	16.5 %	18.3 %	(6.0) %	(10.1) %

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

MAY 31, 2018

Complete District Mailing Address: Woodcreek Municipal Utility District  
c/o Bacon & Wallace, L.L.P.  
6363 Woodway, Suite 800  
Houston, Texas 77057

District Business Telephone No.: 713-739-1060

Submission date of the most recent District Registration Form: June 26, 2018

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Roy L. Cook 23726 Ardmore Cove Drive Spring, Texas 77386	Elected 6/14/18- 5/07/22	\$ 1,650	\$ 284	President
John W. Sneed 20702 Highland Hollow Houston, Texas 77073	Elected 5/14/16- 5/02/20	1,650	259	Vice President
Charles D. Carter 20602 Woodcluster Lane Houston, Texas 77073	Elected 5/14/16- 5/02/20	2,100	3,034	Secretary
Frank Files 20802 Harvest Hill Lane Houston, Texas 77073	Elected 5/06/18- 5/07/22	1,800	271	Assistant Secretary
Cathy Griggs 20739 Stone Mountain Lane Houston, Texas 77073	Elected 5/14/16- 5/02/20	1,800	1,182	Director

See accompanying independent auditor's report.

WOODCREEK MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)MAY 31, 2018CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Bacon & Wallace, L.L.P. 6363 Woodway, Suite 800 Houston, Texas 77057	11/27/90	\$ 63,181	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	2/19/15	3,614	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	7/26/78	17,814	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	4/17/03	0	Investment Officer
Hays Utility South Corporation P.O. Box 1209 Spring, Texas 77383	4/10/78	335,304	Operator
Koehn and Associates Engineers, Inc. 2500 Central Parkway, Suite Z Houston, Texas 77092	6/28/83	77,484	Engineer
Cathy Wheeler 6935 Barney Road, Suite 110 Houston, Texas 77092	7/26/78	21,090	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	7,192	Central Appraisal District
Masterson Advisors, LLC 4400 Post Oak Parkway, Suite 2370 Houston, Texas 77027	5/15/18	0	Financial Advisor
Hilltop Securities, Inc. 700 Milam Street, Suite 500 Houston, Texas 77002	Replaced 5/15/18	0	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,600	Independent Auditor

See accompanying independent auditor's report.

## **APPENDIX B**

### **Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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