OFFICIAL STATEMENT DATED JULY 16, 2019

IN THE OPINION OF BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS, AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDED FROM GROSS INCOME FOR FEDERAL TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.

The District will NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

NEW ISSUE — BOOK-ENTRY ONLY **RATINGS: Underlying "A" (stable outlook) / Insured "AA" (stable outlook) S&P**
CUSIP No. 108443 **See "BOND INSURANCE" and "MUNICIPAL BOND RATING" herein**

$5,670,000
BRIDGESTONE MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas, located in Harris County, Texas)
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE BONDS
SERIES 2019

Dated: August 1, 2019 **Due: May 1 (as shown below)**

Interest on the Bonds (the "Bonds" or the "Series 2019 Bonds") will accrue from August 1, 2019, and will be payable on May 1 and November 1 of each year, commencing May 1, 2020. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is the Bank of New York Mellon Trust Company, N.A. in Dallas, Texas.

The scheduled payment of principal of and interest on the Series 2019 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.

Principal	Maturity	Interest Rate	Yield (a)	Principal	Maturity	Interest Rate	Yield (a)
$125,000	2024	3.000%	1.75%	$200,000	2035 (b)	2.750%	2.95%
$125,000	2025 (b)	2.000%	1.85%	$225,000	2036 (b)	3.000%	3.00%
$150,000	2026 (b)	2.000%	2.05%	$225,000	2037 (b)	3.000%	3.02%
$150,000	2027 (b)	2.000%	2.20%	$225,000	2038 (b)	3.000%	3.04%
$150,000	2028 (b)	2.000%	2.30%	$250,000	2039 (b)	3.000%	3.05%
$175,000	2029 (b)	2.000%	2.40%	$250,000	2040 (b)	3.000%	3.06%
$175,000	2030 (b)	2.375%	2.70%	$275,000	2041 (b)	3.000%	3.07%
$175,000	2031 (b)	2.500%	2.75%	$275,000	2042 (b)	3.000%	3.08%
$175,000	2032 (b)	2.500%	2.80%	$300,000	2043 (b)	3.000%	3.09%
$200,000	2033 (b)	2.625%	2.85%	$300,000	2044 (b)	3.000%	3.10%
$200,000	2034 (b)	2.750%	2.90%				

$625,000 3.00% Term Bond Due May 1, 2046 to Yield 3.11% (a) (b) (c)
$720,000 3.00% Term Bond Due May 1, 2048 to Yield 3.12% (a) (b) (c)

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Bonds maturing on or after May 1, 2025, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on May 1, 2024, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS—Optional Redemption."

(c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Bridgestone Municipal Utility District (the "District") to finance certain District facilities and related contingency and engineering costs and to pay costs of issuance and administrative expenses. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District's waterworks and sanitary sewer system. See "THE BONDS – Sources of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 14, 2019.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change 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.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds:

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.066359% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.045205% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

Prices and Marketability:

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING 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 AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than 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.

NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS UNDER SECURITIES LAWS

No registration statement relating to the Bonds has been filed with the Bonds and Exchange Commission under the Bonds Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Bonds Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the Bonds acts of any jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the Bonds laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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.

The Bonds have been sold to the Underwriter on the basis of its representation that the Bonds will be sold in states other than Texas only pursuant to exemptions from registration or qualification or that the Underwriter will, where necessary, register or qualify the Bonds in accordance with the Bonds laws of the state in which the Bonds are offered or sold.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15-c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the District of the general type included in this Official Statement included under the headings "SELECTED FINANCIAL INFORMATION," "DEBT SERVICE REQUIREMENTS," "TAX DATA – Levy and Collection," "– Analysis of Tax Base," "– Principal Taxpayers," "THE SYSTEM," and "APPENDIX A" (Financial Statements of the District). 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 EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15-c2-12 ("Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to EMMA 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 December 31. Accordingly, it must provide updated information by June 30 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence by the District of a financial obligation, within the meaning of Rule 15c2-12, which affects the 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 described in (15) above, any of which reflect financial difficulties of the District. The term “financial obligation,” when used in this paragraph, shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Limitations and Amendments

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

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

Within the last five (5) 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.

REGISTRATION

Paying Agent/Registrar

The Bonds will be issued in fully registered form in multiples of $5,000 for any one maturity, and principal and semi-annual interest will be paid by the District through the Paying Agent/Registrar. Principal will be payable to the registered holder at maturity or redemption upon presentation to the Paying Agent/Registrar. Interest will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date.

Successor 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 accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be either a national or state banking institution and shall be a corporation organized and doing business under the laws of the United States of America or of any State, shall be authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by Federal or State banking authorities. Any successor Paying Agent/Registrar shall be selected by the District.

Assignments, Transfers, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration (exclusive of any tax or governmental charge therefor) shall be at the expense of the District. A Bond may be assigned by execution of the assignment form printed on the Bond. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds not more than three days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of $5,000 for any one maturity, or any integral multiple thereof. The Bonds are transferable only on the bond register kept by the Registrar upon surrender and re-issuance. The Bonds are exchangeable for an equal principal amount or maturity amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar.

Record Date

The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

Record Date for Bonds to be Redeemed

Neither the District nor the Paying Agent/Registrar shall be required to: (1) issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) transfer or exchange any Bond so selected for redemption in whole or in part when such redemption is scheduled to occur within 45 calendar days.

UNDERLYING RATING

In connection with the sale of the Bonds, the District has made application to Standard & Poor's Rating Group ("S&P") which has assigned a rating of "A" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

RATING

S&P is expected to assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. See "BOND INSURANCE" and "APPENDIX B."

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

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 (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as Appendix B to this Official Statement.

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

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 June 27, 2019, 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 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 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:

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

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

Miscellaneous Matters

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description: Waterworks & Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds" or the "Series 2019 Bonds"), issued pursuant to an order (the "Bond Order") of the Board of Directors of Bridgestone Municipal Utility District (the "District"). The Bonds will be dated August 1, 2019, with interest payable commencing May 1, 2020, and each November 1 and May 1, thereafter until the earlier of maturity or redemption. See "THE BONDS - General."

Book-Entry-Only System: The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption Provision The Bonds maturing on or after May 1, 2025, are subject to redemption at the option of the District, prior to maturity, in whole or part, on May 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing on May 1, 2046 and 2048 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning May 1 in the years 2045, 2047. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount, and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District's System (herein defined). 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 - Sources of and Security for Payment."

Use of Proceeds: Proceeds from the sale of the Bonds will be used to finance: (1) construction, engineering, and contingent expenses associated with certain wastewater treatment plant upgrades; and (2) costs related to the issuance of the Bonds. See "USE OF BOND PROCEEDS."

NOT Qualified Tax-Exempt Obligations: The District will not designate the Bonds as "qualified tax-exempt obligations." See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."

Underlying Rating: In connection with the sale of the Bonds the District made application to S&P Global Ratings ("S&P") which has assigned the underlying rating of "A" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. See "UNDERLYING RATING."

Rating: S&P is expected to assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. See "RATING," "BOND INSURANCE," and "APPENDIX B."

Authorized But Unissued Bonds: After the sale of the Series 2019 Bonds, the District will have $75,038,667.80 authorized but unissued unlimited tax and revenue bonds that may be used for the purposes of constructing facilities to serve the District or refunding outstanding bonds of the District. The District may seek voter authorization to issue additional tax and revenue bonds in the future.

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A.

Legal Opinion: Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas. See "LEGAL MATTERS."

Payment Record: There has been no default by the District in payment of principal of or interest on its bonded indebtedness.

Investment Considerations: The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS."

THE DISTRICT

Description: Bridgestone Municipal Utility District (the "District"), a political subdivision of the State of Texas located within Harris County, Texas, contains approximately 2,312 acres of land. The District is located approximately 23 miles northwest of Houston's central business district and approximately three miles west of the unincorporated community of Spring, Texas. The District lies entirely within the exclusive extraterritorial jurisdiction of the City of Houston (the "City") and within Klein Independent School District. See "THE DISTRICT – Description."

Authority: The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – Authority."

Development: As of June 1, 2019, residential development in the District had taken place on approximately 1,516 acres which includes approximately 5,875 completed homes or homes under construction and approximately 52 vacant, developed residential lots. Approximately 5,834 of the completed homes were occupied as of June 1, 2019.

As of June 1, 2019 there were approximately 134 commercial establishments in the District including 2 mufti-family projects that had approximately 780 units. Commercial building developments within the District include: a shopping center located on approximately 10 acres (developed as a medical facility); the Spring Town Center Shopping Center located on two tracts totaling approximately 100 acres that include five strip shopping centers, a Wal-Mart Supercenter, a Lowe's Home Center, four banking facilities, seven restaurants, a car wash, an auto repair facility, a department store, a Murphy's gas station and a drugstore; the Klein Crossing Shopping Center located on approximately 50 acres that includes a Kroger Store, three strip shopping centers, two banking facilities, three restaurants, two medical office complexes, a Kroger gas station and an auto repair facility; the Woodforest Plaza located on approximately 10 acres that includes a banking facility, two strip shopping centers, a restaurant, three car service and parts facilities; the Springbrook Plaza Shopping Center located on approximately 10 acres that includes a strip shopping center, a restaurant, a banking facility, a one-story office building and a two-story office building; two full service car wash facilities located on approximately two acres; the Bridgeview strip shopping center located on approximately two and one half acres; two strip shopping centers located on FM 2920 occupying approximately two acres and one and a half acres respectively; the Rhodes Crossing strip shopping center and service station located on approximately four acres; the Bridgestone Plaza strip shopping center located on approximately three acres; two daycare centers located on approximately two acres each; a real estate office building located on approximately three acres; Shell, Conoco, two (2) Valero, Texaco and CITGO service stations located on approximately one acre each; the Morning Star Greenhouse Nursery located on approximately four acres; Landell Manufacturing, a manufacturing facility located on approximately three acres; North Pine Business Park, an office/warehouse facility located on approximately nine acres; the Summerfield School and a daycare facility located on approximately one acre; a storage facility located on approximately 14.5 acres; a Cinemark Theater located on approximately 14 acres of land (with 3 pad sites available for restaurants), an office park located on approximately 10.5 acres, a Sprouts Grocery Store, and an approximate five acre tract with two office buildings and a two-story office/retail building; and a 38 acre commercial development developed by Kimco Realty (known as Grand Market Place) located at Kuykendahl and Spring Stuebner.

Additional development within the District includes approximately five acres developed for recreational facilities; The Church at Creek's End, which is located on an approximately four acre site, the Spring Baptist Church, which is located on an approximately 13 acre tract, and the Champions Forest Baptist Church, all of which are exempt from taxation by the District; Summerfield Academy which is exempt from taxation by the District; and Roth Elementary School, a Klein Independent School District elementary school located on approximately 12 acres which is exempt from taxation by the District. See "THE DISTRICT – Status of Development."

Population: Approximately 19,500 (estimated population in the District as of June 1, 2019).

SELECTED FINANCIAL INFORMATION

(Unaudited)

5/1/2019 Estimated Taxable Value	$1,661,905,985	(a)
2019 Preliminary Taxable Value	$1,647,186,463	(b)
2018 Taxable Value	$1,536,949,679	(c)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of August 1, 2019)	$79,565,000	
Plus The Bonds	$5,670,000	
Total Direct Debt	**$85,235,000**	
Estimated Overlapping Debt	$94,080,974	
Direct and Estimated Overlapping Debt	**$179,315,974**	
Percentage of Direct Debt to:		
5/1/2019 Estimated Taxable Value	5.13%	
2019 Preliminary Taxable Value	5.17%	
2018 Taxable Value	5.55%	
See "DISTRICT DEBT"		
Percentage of Direct Overlapping Debt to:		
5/1/2019 Estimated Taxable Value	10.79%	
2019 Preliminary Taxable Value	10.89%	
2018 Taxable Value	11.67%	
See "DISTRICT DEBT"		
2018 Tax Rate Per $100 of Assessed Value:		
Debt Service	$0.32	
Maintenance Tax	$0.20	
Total 2018 Tax Rate	$0.52	
Approximate General Fund Cash and Investment Balance as of July 16, 2019	$18,671,862	(d)
Approximate Debt Service Fund Cash and Investment Balance as of July 16, 2019	$4,609,472	(e)

(a) Reflects data supplied by the Harris County Appraisal District ("HCAD"). The Estimated Taxable Value as of 5/1/2019 was prepared by HCAD and provided to the District. Such value is not binding on HCAD and the value added after January 1, 2019, will not be included on the District's tax roll until the 2020 tax roll is prepared and certified by HCAD during the second half of 2020. See "TAX DATA" and "TAXING PROCEDURES."

(b) The 1/1/2019 Preliminary Taxable Value was prepared by HCAD and provided to the District for informational purposes only. The preliminary values are not binding on HCAD; such values are subject to protest and review by the Harris County Appraisal Review Board. Additional values resulting from new land development or building construction in the District subsequent to January 1, 2018, will not be included on the District's tax roll until the January 1, 2019 certified tax roll is prepared by HCAD during the second half of 2019. The figure above includes HCAD's value of real property plus the District's 2018 personal property values. The District is authorized by law to levy taxes only against certified values. See "TAX DATA" and "TAXING PROCEDURES."

(c) The District's 2018 Taxable Value figure above reflects the total certified value as of January 1, 2018, per HCAD. See "TAX DATA" and "TAXING PROCEDURES."

(d) Reflects unaudited cash and investment balance.

(e) Reflects unaudited cash and investment balance. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Rate Calculations."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the debt service on the Series 2019 Bonds.

	Existing Debt Service	Plus: Debt Service on the Series 2019 Bonds		Total Debt Service
Year	Requirements	Principal	Interest	Requirements
2019	$5,623,871			$5,623,871
2020	$5,556,271		$197,507	$5,753,778
2021	$5,411,678		$158,006	$5,569,684
2022	$5,488,202		$158,006	$5,646,208
2023	$5,711,149		$158,006	$5,869,155
2024	$5,730,027	$125,000	$156,131	$6,011,158
2025	$5,763,824	$125,000	$153,006	$6,041,830
2026	$5,791,039	$150,000	$150,256	$6,091,295
2027	$5,888,211	$150,000	$147,256	$6,185,467
2028	$6,057,673	$150,000	$144,256	$6,351,929
2029	$5,979,995	$175,000	$141,006	$6,296,001
2030	$6,083,348	$175,000	$137,178	$6,395,526
2031	$6,151,799	$175,000	$132,912	$6,459,711
2032	$6,044,274	$175,000	$128,537	$6,347,811
2033	$6,005,789	$200,000	$123,725	$6,329,514
2034	$5,811,627	$200,000	$118,350	$6,129,977
2035	$5,679,459	$200,000	$112,850	$5,992,309
2036	$5,463,783	$225,000	$106,725	$5,795,508
2037	$2,267,309	$225,000	$99,975	$2,592,284
2038	$2,244,781	$225,000	$93,225	$2,563,006
2039	$1,170,681	$250,000	$86,100	$1,506,781
2040	$1,197,378	$250,000	$78,600	$1,525,978
2041	$1,201,737	$275,000	$70,725	$1,547,462
2042	$493,000	$275,000	$62,475	$830,475
2043	$477,000	$300,000	$53,850	$830,850
2044	$461,000	$300,000	$44,850	$805,850
2045	$469,500	$300,000	$35,850	$805,350
2046	$477,000	$450,000	$26,475	$828,475
2047	$459,000	$450,000	$16,350	$825,350
2048		$450,000	$5,550	$375,550
TOTAL	**$115,160,405**	**$5,670,000**	**$3,097,738**	**$118,304,272**

Maximum Annual Debt Service Requirements (2031).. $6,459,711

$0.41 Tax Rate on 5/1/2019 Estimated Taxable Value of $1,661,905,985
@ 95% collections produces $6,473,124

$0.42 Tax Rate on 2019 Preliminary Taxable Value of $1,647,186,463
@ 95% collections produces $6,572,274

$0.45 Tax Rate on 2018 Taxable Value of $1,536,949,679
@ 95% collections produces $6,570,460

OFFICIAL STATEMENT
relating to

$5,670,000

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

WATERWORKS & SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE BONDS

SERIES 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of Bridgestone Municipal Utility District Waterworks & Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds" or the “Series 2019 Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and pursuant to an order (the "Bond Order") adopted by the Board of Directors (the “Board”) of the District.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, and the District’s financial condition. All descriptions of documents contained herein, are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Bond Counsel upon payment of costs of duplication thereof.

INVESTMENT CONSIDERATIONS

General

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. The Bonds are payable from a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District’s System (as defined herein). See “THE BONDS – Sources of and Security for Payment.” The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds, the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over 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 spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Dependence on Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by: (a) repetitive, annual expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

While the District has pledged net revenues of its water and sewer system to payment of the Bonds, it is not expected that there will be sufficient net revenues for the payment of the Bonds in the absence of ad valorem tax collections.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order; the Registered Owners have the right 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's public-purpose property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 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 the district.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The continued growth of taxable values in the District is directly related to the housing industry and the commercial building development industry. The housing and commercial building development industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, labor conditions, consumer spending, foreclosure rates, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. High foreclosure rates may also affect mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The inability to qualify for mortgages may negatively affect home sales and the growth of taxable values in the District. Commercial building in the District could also be adversely affected by such economic developments.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures and slow absorption of office space from time to time. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth and maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the developers in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Landowners/Developers under No Obligation to the District

There are no commitments from or obligations of any landowner or developer within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes or other improvements in the District, and there is no restriction on any landowner's or developer's right to sell their land.

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2018 combined debt service and maintenance tax rate is $0.52 per $100 of assessed valuation. The maintenance of the District's tax base is directly related to the housing industry in general. The housing industry has historically been a cyclical industry, affected by short and long-term interest rates, demand for developed property, and availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980's, and again in the 2000's, the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single family homes in the District, which is 23 miles from downtown Houston, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that have been on the market for an extended period of time.

Both the local demand for, and the sale of single-family homes are affected by most of the factors discussed herein and will directly affect the maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further construction of residential, multi-family, and/or commercial projects within the District, other than those which have heretofore been constructed, the value of such land and improvements, currently located and under construction within the District, could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the remaining Outstanding Bonds will be $6,459,711 (2031). The 2018 Taxable Value of property within the District according to HCAD is $1,536,949,679. Assuming no increase or decrease from the 2018 Taxable Value, and no use of other District funds, a debt service tax rate of $0.45 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 1/1/2019 Preliminary Taxable Value of property within the District according to HCAD data is $1,647,186,463. Assuming no increase or decrease from such value, and no use of other District funds, a debt service tax rate of $0.42 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 5/1/2019 Preliminary Taxable Value of property within the District according to HCAD data is $1,661,905,985. Assuming no increase or decrease from such value, and no use of other District funds, a debt service tax rate of $0.41 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "TAX DATA – Tax Rate Calculations."

Future Debt

The District reserves in the Bond Order the right to issue the remaining $75,038,667.80 authorized but unissued unlimited tax and revenue bonds which may be issued for the purposes of either refunding outstanding bonds or constructing facilities to serve the District. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, the District's current bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Financing Parks and Recreational Facilities:

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

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

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 retroactively to the date of original issuance. See "TAX EXEMPTION."

Conversion to Surface Water

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Subsidence District Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Subsidence District Plan, the District was required to submit to the Subsidence District by January 2003 a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the Subsidence District 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. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the North Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to north Harris County and to prepare a groundwater reduction plan to comply with the Subsidence District Plan. The Authority submitted its Groundwater Reduction Proposal to the Subsidence District and it received final certification on June 11, 2003. This plan covers the area of the District and the District will not owe any disincentive fees to the Subsidence District. However, if the Authority fails to comply with the Subsidence District Plan, the Authority could be subjected to disincentive fees, which may cause the Authority to increase the fees it charges within its boundaries including those fees charged to the District. The Authority has entered into a contract with the City of Houston to purchase surface water beginning in 2010. The District currently pays to the Authority a ground water pumpage fee of $3.85 per 1,000 gallons and a fee of $4.30 for surface water purchase from the Authority. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in the Authority's regional surface water conversion effort.

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, with an attainment deadline of August 3, 2021. 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) groundwater well permitting and surface water application; (2) public water supply systems, (3) wastewater discharges from treatment facilities, (4) storm water discharges, and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, nay be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA'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 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 non-stormwater 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 nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas, found that the CWR violated the notice-an-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and order 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 ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took 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.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal of and interest on the Bonds does not accelerate the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies, and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 "BOND INSURANCE" herein.

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

Neither the District nor the Underwriter has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond 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 Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Hurricane Harvey

The Houston area (including Harris County) sustained widespread rain and flooding damage as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District's Operator and the District's Engineer, the District's System did not sustain any significant damage and there was no interruption of water and sewer service for District customers as a result of the storm. According to observations of the District's Engineer and members of the District's Board of Directors, approximately 10 homes in the District experienced flooding during Hurricane Harvey. Substantially all of the homes that experienced flooding have been rehabilitated or are in the process of being rehabilitated.

On or about August 23, 2017, in anticipation of Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in numerous counties located along the Texas gulf coast, including Harris County. 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. At this time, the Board of Directors of the District has not authorized a reappraisal of property located within the District; however, the Board of Directors of the District may do so in the event further assessment of the District reveals material impacts as a result of Hurricane Harvey. The District is not bound by a reappraisal of property that is authorized by another taxing unit and not authorized by the District.

There is no assurance that any casualty loss will be covered by insurance. Flood casualties are usually excepted from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to 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. A substantial decrease in the assessed valuation in the District will likely result in a corresponding increase in the District's tax rate.

Inclement Weather

The District is located approximately 70 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. 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.

Ponding (or Pluvial) Flooding - 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.

Reappraisal of Property after Disaster

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. 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. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

Tax Payment Installments after Disaster

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to finance: (1) construction, engineering, and contingent expenses associated with certain wastewater treatment plant upgrades; (2) costs related to the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS:	**Total Amount**	(a)
District Items		
Wastewater Treatment Plant Upgrades – Phase I	$4,014,000	
Contingencies	$398,000	
Engineering	$790,000	
Total District Items	$5,202,000	
TOTAL CONSTRUCTION COSTS	**$5,202,000**	
NON-CONSTRUCTION COSTS:		
Legal Fees	$92,550	
Fiscal Agent Fees	$85,050	
Bond Discount	$166,337	
Administrative Fees	$43,830	
Bond Application Report Costs	$56,600	
Attorney General's Fee	$5,670	
TCEQ Bond Issuance Fee	$14,175	
Contingencies	$3,788	(b)
TOTAL NON-CONSTRUCTION COSTS	**$468,000**	
TOTAL BOND ISSUE REQUIREMENT	**$5,670,000**	

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District was granted a waiver from the TCEQ of the 30% developer contribution requirement based upon the fact that none of the facilities being financed were developer contribution items.

(b) The TCEQ Order requires that the District designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate authorized by the TCEQ Order as a contingency line item in the Final Official Statement. Such funds may be used by the District only in accordance with the TCEQ rules.

THE BONDS

General

The Bonds are dated August 1, 2019. The Bonds will mature on May 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on May 1, 2020, and each November 1 and May 1 thereafter until maturity or prior to redemption. The Bonds will be issued in denominations of $5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Authority for Issuance

The Bonds are issued pursuant to the authority of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended. At various elections held within the District between 1979 and 2019, the voters of the District authorized the issuance of a total of $190,412,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds for the purpose of constructing facilities to serve the District or for refunding certain of the District outstanding bonds. After issuance of the Bonds, the District will have $75,038,667.80 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds that remain authorized by the voters and unissued.

Optional Redemption

The Bonds scheduled to mature on or after May 1, 2025, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on May 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date.

Mandatory Redemption:

The Bonds maturing May 1 in the years 2046 and 2048 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

$625,000 Term Bonds, due May 1, 2046

Mandatory Redemption Date	Principal Amount
May 1, 2045	$300,000
May 1, 2046 (maturity)	$325,000

$720,000 Term Bonds, due May 1, 2048

Mandatory Redemption Date	Principal Amount
May 1, 2047	$350,000
May 1, 2048 (maturity)	$370,000

Notice of Redemption; Partial Redemption:

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than $5,000 in principal amount may be redeemed in part ($5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue. In addition, the Bonds are secured by a pledge of the net revenues, if any, of the District’s waterworks and sewer system.

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) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in: (a) direct 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 or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in Book-Entry-Only form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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) is 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.

Funds

The Bond Order confirms the previous establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Issuance of Additional Debt

If authorized by the District's voters and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." After issuance of the Bonds, the District will have $75,038,667.80 authorized but unissued unlimited tax and revenue bonds that can be issued for the purpose of constructing facilities or refunding outstanding bonds. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, unlimited tax and revenue bonds, revenue bonds, and inferior lien bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Registration, Transfer, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to: (i) issue, transfer, or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 45 calendar days.

Replacement of Mutilated, Lost, or Stolen Bonds

The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, upon receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, as amended, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than “A” or its equivalent to be legal investments for such entity’s funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than “A” or its equivalent to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, 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, each in the aggregate principal amount or Maturity Value, as the case may be, 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 Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. 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 Bonds and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities 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 Securities 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 Certificate documents. For example, Beneficial Owners of Securities 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 fewer 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 Securities 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 Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, securities 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, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but neither of the District, the Financial Advisor nor the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

THE DISTRICT

Authority

The District is a limited purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the Texas Water Rights Commission (one of the predecessors to the TCEQ) on July 28, 1976. The District is vested with all of the rights, privileges, authority, and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered 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 stormwater. The District is also empowered to establish parks and recreational facilities for the residents of the District and to contract for or employ its own peace officers. In addition, the District may provide solid waste disposal and collection service and also is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the TCEQ and the District's voters. The District currently contracts for the services of peace officers and is currently providing solid waste disposal and collection services to District residents.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston (the "City") which limit the purposes for which the District may sell bonds, limit the net effective interest rate on such bonds and other terms of such bonds; require the approval by the City of certain District construction plans; and permit connections only to lots and reserves described in subdivision plats that have been approved by the Planning Commission of the City and filed in the real property records. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas agencies. See "THE SYSTEM – Regulation."

Description

The District contains approximately 2,312 acres, is located within the exclusive extraterritorial jurisdiction of the City and within the Klein Independent School District, and is approximately 23 miles northwest of downtown Houston, three (3) miles west of the unincorporated community of Spring, Texas. The District is approximately three (3) miles west of Interstate Highway No. 45, accessed from Farm-to-Market Road No. 2920 ("FM 2920"), and bounded on the south by Spring-Cypress Road.

The land within the District is relatively flat and slopes from an elevation of 130 feet above mean sea level ("msl") to 144 feet above msl, draining into Seals Gully (HCFCD No. K124-00-00), Bonds Gully (HCFCD No. K124-05-00) and Harris County Flood Control District unit No. K131-03-01. According to Federal Flood Insurance Rate Maps, approximately 105 developed and improved residential lots lie within the current boundaries of the 100-year flood plain, which comprise of approximately 15 acres of the 62 acres of 100-year flood plain within the boundaries of the District. The remainder of the 100-year flood plain is located within drainage rights-of-way or detention ponds.

Status of Development

As of June 1, 2019, residential development in the District had taken place on approximately 1,516 acres which includes approximately 5,875 completed homes or homes under construction and approximately 52 vacant, developed residential lots. Approximately 5,834 of the completed homes were occupied as of June 1, 2019, approximately 602 acres in the District have been developed for commercial purposes, approximately 43 acres of land in the District are developable but are currently undeveloped, and approximately 150 acres are not developable.

The residential building development in the District has occurred in the following subdivisions/sections:

Subdivision / Section	
Bridgestone, Sections 1 – 6	Gosling Pines, Sections 1 – 2
Bridgestone West, Sections 1 – 2	Spring Terrace, Sections 1 – 6
Bridgestone Ranch	Senterra Lakes, Sections 1 – 2
Stone Forest, Sections 1 – 4	Villages of Senterra Lakes, Sections 1 – 5
Bridgestone Lakes, Sections 1 – 4	Bella Sera
Rhodes Landing	Northcrest Village, Sections 1 – 3 & 6 – 7
Springbrook, Sections 1 – 7	The Sanctuary Veritas
Villages of Bridgestone	

As of June 1, 2019, there were approximately 134 commercial establishments in the District including 2 mufti-family projects that had approximately 780 units. Commercial building developments within the District include: a shopping center located on approximately 10 acres (developed as a medical facility); the Spring Town Center Shopping Center located on two tracts totaling approximately 100 acres that include five strip shopping centers, a Wal-Mart Supercenter, a Lowe's Home Center, four banking facilities, seven restaurants, a car wash, an auto repair facility, a department store, a Murphy's gas station and a drugstore; the Klein Crossing Shopping Center located on approximately 50 acres that includes a Kroger Store, three strip shopping centers, two banking facilities, three restaurants, two medical office complexes, a Kroger gas station and an auto repair facility; the Woodforest Plaza located on approximately 10 acres that includes a banking facility, two strip shopping centers, a restaurant, three car service and parts facilities; the Springbrook Plaza Shopping Center located on approximately 10 acres that includes a strip shopping center, a restaurant, a banking facility, a one-story office building and a two-story office building; two full service car wash facilities located on approximately two acres; the Bridgeview strip shopping center located on approximately two and one half acres; two strip shopping centers located on FM 2920 occupying approximately two acres and one and a half acres respectively; the Rhodes Crossing strip shopping center and service station located on approximately four acres; the Bridgestone Plaza strip shopping center located on approximately three acres; two daycare centers located on approximately two acres each; a real estate office building located on approximately three acres; Shell, Conoco, two (2) Valero, Texaco and CITGO service stations located on approximately one acre each; the Morning Star Greenhouse Nursery located on approximately four acres; Landell Manufacturing, a manufacturing facility located on approximately three acres; North Pine Business Park, an office/warehouse facility located on approximately nine acres; the Summerfield School and a daycare facility located on approximately one acre; a storage facility located on approximately 14.5 acres; a Cinemark Theater located on approximately 14 acres of land (with 3 pad sites available for restaurants), an office park located on approximately 10.5 acres, a Sprouts Grocery Store, and an approximate five acre tract with two office buildings and a two-story office/retail building; and a 38 acre commercial development developed by Kimco Realty (known as Grand Market Place) located at Kuykendahl and Spring Stuebner.

Additional development within the District includes approximately five acres developed for recreational facilities; The Church at Creek's End, which is located on an approximately four acre site, the Spring Baptist Church, which is located on an approximately 13 acre tract, and the Champions Forest Baptist Church, all of which are exempt from taxation by the District; Summerfield Academy which is exempt from taxation by the District; and Roth Elementary School, a Klein Independent School District elementary school located on approximately 12 acres which is exempt from taxation by the District.

Strategic Partnership Agreement

The District and the City entered into a strategic partnership agreement ("SPA") effective for a thirty-year term beginning April 3, 2007, subject to the default provisions therein. The SPA is permitted under state law for the limited purpose annexation by the City of certain commercial property within the District. The SPA requires the City to impose a 1% sales and use tax within the annexed tract, the proceeds of which shall be equally shared between the City and the District. The District can make no representation as to the effect of such receipts on the finances of the District. In addition, the City may not annex for full purposes any part of the District during the effective term of the SPA and the District remains authorized to exercise all powers and functions of a municipal utility district provided by existing law or any amendments or additions thereto. At the end of the term of the SPA, the parties may agree to extend the SPA, allow the SPA to expire or the City may annex the entire District for full purposes.

Management of the District

The District is governed by a Board of Directors (the "Board") which has management control over all affairs of the District. The Directors are elected to serve a four-year staggered term at an election that is held on the second Saturday in May of each even-numbered year. The current members and officers of the Board, all of whom are residents of the District, are identified as follows:

Name	Title	Expires May
Jim Marks	President	2020
John (Skip) Warren	Secretary	2022
Ronald W. (Ron) Schkade	Assistant Secretary	2020
Mikuel (Mickey) K. Draper	Director	2020
Michael Crayton	Director	2022

The District does not have any full-time employees, but contracts for certain necessary services as follows:

Utility System Operator – Water District Management Company, Inc. has been engaged by the District to operate the District's water distribution and wastewater collection facilities.

Tax Assessor/Collector – The District's Tax Assessor/Collector is Equi-Tax, Inc., pursuant to a year-to-year contract. The District's Tax Assessor/Collector applies the District's tax rate to appraisal rolls prepared by HCAD and bills and collects the resulting levy.

Bookkeeper – The District's statements of accounts are kept by Myrtle Cruz, Inc. (the "District's Bookkeeper").

Engineer – The District's consulting engineer is Jones & Carter, Inc. (the "District's Engineer").

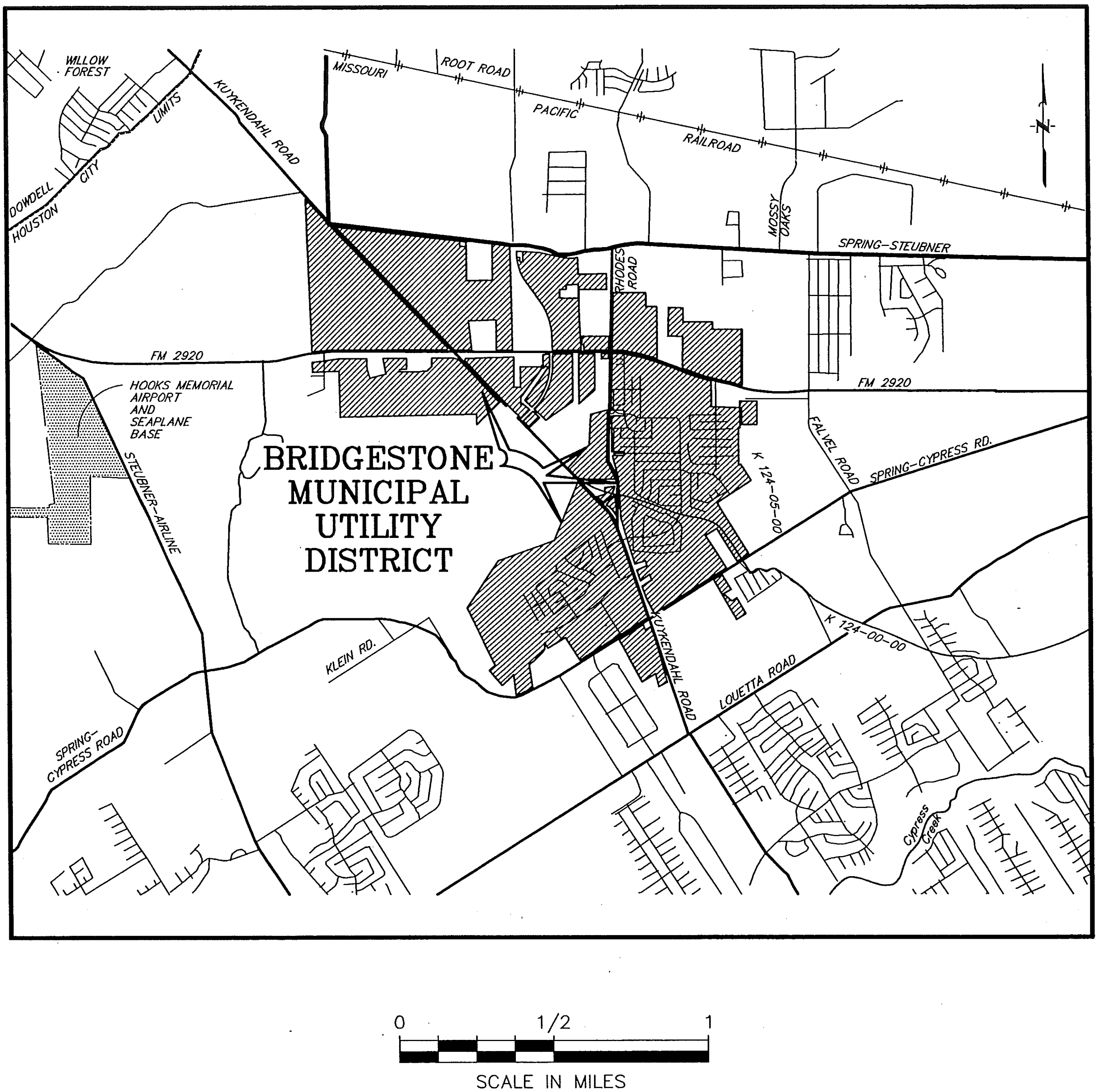
Financial Advisor – The District has engaged The GMS Group, L.L.C. as financial advisor to the District (the "District's Financial Advisor"). The fees of the District's Financial Advisor are contingent upon the sale and delivery of the Bonds.

Attorney – The District has engaged Radcliffe Bobbitt Adams Polley PLLC, as general counsel to the District and as Bond Counsel in connection with the issuance of District bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds.

Auditor – The District employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants (the "District's Auditor") to audit its financials for the period ended December 31, 2018. The results of the December 31, 2018, are included as Appendix A to this Official Statement.

DISTRICT INVESTMENT POLICY

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 in 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 portfolio.



NOVEMBER 2013

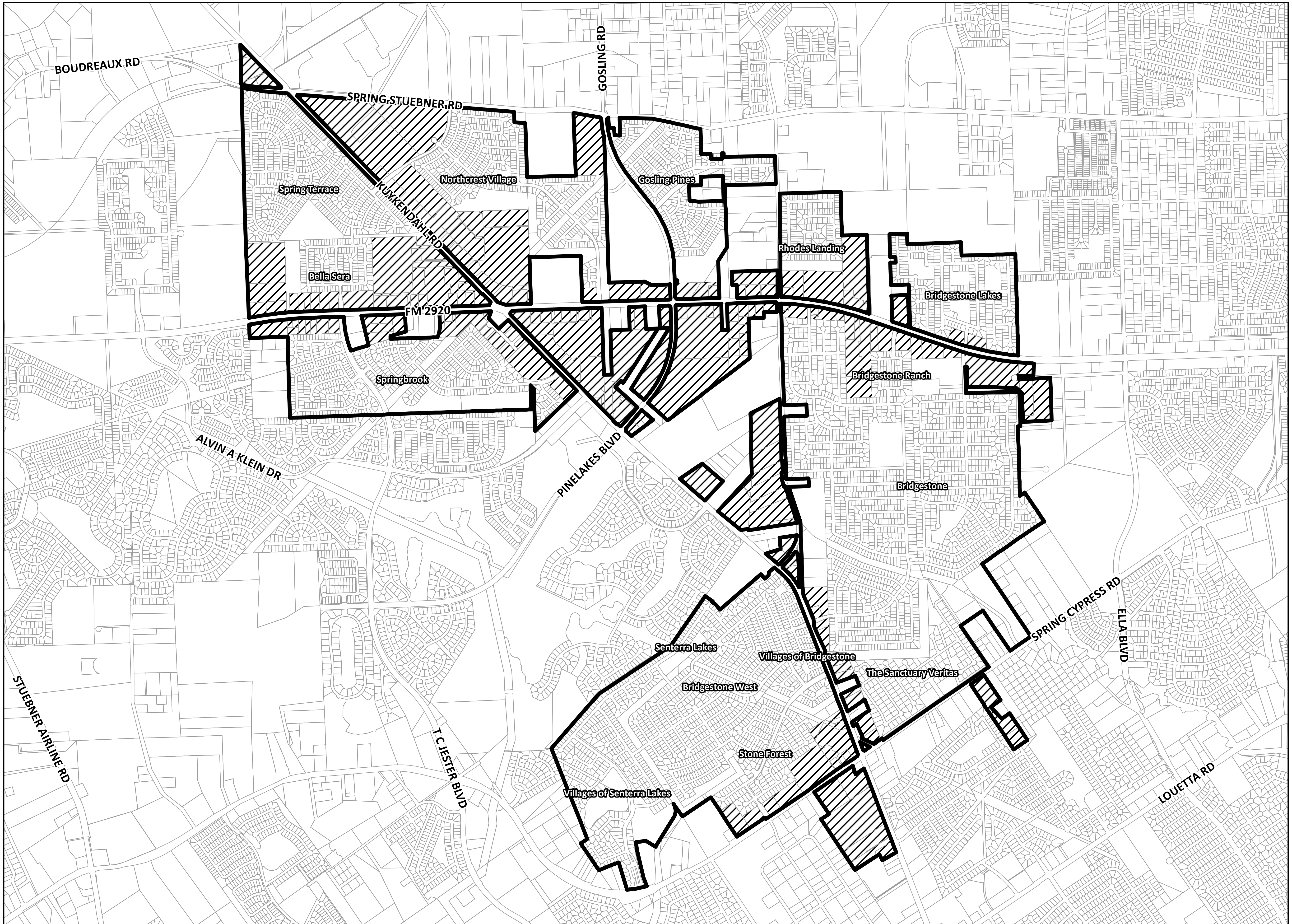
JONES & CARTER, INC.
ENGINEERS • PLANNERS • SURVEYORS

8701 New Trails Drive, Suite 200 The Woodlands, Texas 77381
(281) 363-4039

ATTACHMENT IV

BRIDGESTONE
MUNICIPAL UTILITY DISTRICT

LOCATION MAP



VICINITY MAP

Scale: 1 inch equals 10 miles

LEGEND

- District Boundary
- Single-Family Residents
- Commercial Tracts

ATTACHMENT VI
LAND USE MAP

BRIDGESTONE M.U.D.

HARRIS COUNTY, TEXAS

0 750 1,500
Feet

N S E W

DRAWING NOT TO SCALE

[redacted]

User Name: CEH Date: 9/28/2018 Project Number: 00416-0900-18 Path: E:\Projects\Districts\Bridgestone\PRJTS\BAR_AttVI_LandUse_11x17.mxd

Spring Stuebner Rd.
Bridgestone Municipal Utility District
Spring Cypress Rd.
Ella Blvd.
T.C. Jester Blvd.
Kuykendahl Rd.

THE SYSTEM

Regulation

The water and wastewater facilities serving land within the District have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, City of Houston and Harris County. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the United States Environmental Protection Agency ("EPA") and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of various federal, state and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to regulatory authority of the TCEQ and the EPA. Provision of potable water in the District is subject to regulatory authority of the TCEQ and the EPA. Withdrawal of groundwater and the issuance of water well permits are subject to the regulatory authority of the Harris-Galveston Subsidence District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County and the City of Houston also exercise regulatory jurisdiction over the District's System.

Description of the System

The water, wastewater, drainage facilities, and the accompanying rights of use therein comprise the District's System (the "System").

The water supply facilities consist of four water plants which in the aggregate include, 6,416 gallons per minute ("gpm") of water well capacity, a 1,000,000 gallon elevated storage tank, one 428,000 gallon, one 600,000 gallon, and one 606,000 gallon ground storage tanks, five 10,000 gallon and one 20,000 gallon hydropneumatic pressure tanks, 8,450 gpm of booster pump capacity, and related appurtenances. The District's water supply facilities have been constructed and extended and are adequate to serve all of the currently-developed property within the District.

The wastewater system provides for the collection and treatment of wastewater produced within the District. Main trunk lines have been sized to serve the proposed development within the District. The existing wastewater treatment plant has a capacity of 2,500,000 gallons per day ("gpd"). The District's wastewater treatment facilities are adequate to serve the currently-developed property within the District.

The drainage facilities of the District provide for the conveyance of storm water with outfall into Seals Gully (HCFCD Unit No. K124-00-00), Bonds Gully (HCFCD Unit No. K124-05-00) and Harris County Flood Control District Unit No. K-131-03-01. The drainage facilities are adequate to serve the currently-developed property within the District.

Conversion to Surface Water

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Subsidence District Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Subsidence District Plan, the District was required to submit to the Subsidence District by January 2003 a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the Subsidence District 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. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the Authority; the Authority was created to provide for the supply of surface water to north Harris County and to prepare a groundwater reduction plan to comply with the Subsidence District Plan. The Authority submitted its Groundwater Reduction Proposal to the Subsidence District and it received final certification on June 11, 2003. This plan covers the area of the District and the District will not owe any disincentive fees to the Subsidence District. However, if the Authority fails to comply with the Subsidence District Plan, the Authority could be subjected to disincentive fees, which may cause the Authority to increase the fees it charges within its boundaries including those fees charged to the District. The Authority has entered into a contract with the City of Houston to purchase surface water beginning in 2010. The District currently pays to the Authority a ground water pumpage fee of $3.85 per 1,000 gallons and a fee of $4.30 for surface water purchase from the Authority. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in the Authority's regional surface water conversion effort.

100-Year Flood Plain

According to the Engineer, approximately 62 acres within the District is shown within the 100-year flood plain as delineated on the current Federal Emergency Management Agency Flood Insurance Rate Maps for Harris County, Texas Community Panel Nos. 48201C0235M, 48201C0245M, 48201C0255L, and 48201C0265M, dated June 18, 2007, and October 16, 2013. Most of such acreage is located within drainage rights-of-way or detention ponds however, approximately 105 developed and improved single family residential lots lie within the boundaries of the 100-year flood plain.. The Harris County Engineers Office Building Permit Section regulates construction in the flood plain.

Historical Operations of the System

The 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 are additionally secured by a pledge of the System's net revenues. It is not presently anticipated that the net revenues will provide for a significant amount of the District's Annual Debt Service Requirements. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year Ended December 31 (a)				
GENERAL FUND	**2018**	**2017**	**2016**	**2015**	**2014**
REVENUES					
Property Taxes	$2,739,462	$2,600,801	$2,494,947	$2,505,277	$2,253,269
Water Service	$1,462,109	$1,485,176	$1,428,028	$1,364,497	$1,267,962
Wastewater Service	$1,287,593	$1,270,797	$1,233,552	$1,184,558	$1,114,557
Solid Waste Disposal	$1,067,580	$1,038,484	$1,017,705	$993,705	$962,997
Water Authority Fees	$2,294,804	$2,045,655	$1,740,622	$1,542,157	$1,438,151
Penalty and Interest	$100,750	$83,715	$85,749	$82,554	$81,814
Tap Connection and Inspection Fees	$1,110,090	$674,531	$389,341	$305,213	$674,533
Water Authority Credits	$256,966	$256,966	$256,966	$256,966	$283,847
Sales Tax Revenue	$1,278,493	$1,090,368	$1,054,955	$958,547	$904,680
Miscellaneous Revenues	$346,636	$198,302	$127,996	$213,620	$116,235
TOTAL REVENUES	**$11,944,483**	**$10,744,795**	**$9,829,861**	**$9,407,094**	**$9,098,045**
EXPENDITURES					
Professional Fees	$510,310	$507,651	$425,963	$354,372	$335,455
Contracted Services	$2,222,776	$2,146,134	$2,102,062	$2,018,123	$1,775,544
Purchased Water Service	$2,220,948	$1,899,807	$1,718,606	$1,389,194	$1,261,503
Utilities	$371,093	$316,188	$306,410	$313,967	$287,561
Water Authority Assessments	$370,535	$446,542	$259,358	$246,212	$259,816
Repairs and Maintenance	$1,054,255	$1,113,633	$1,251,920	$1,798,150	$952,894
Other	$1,870,943	$1,164,987	$1,026,291	$1,167,493	$1,098,768
Capital outlay	$1,077,300	$3,074,325	$2,164,422	$3,696,125	$1,326,042
TOTAL EXPENDITURES	**$9,698,160**	**$10,669,267**	**$9,255,032**	**$10,983,636**	**$7,297,583**
EXCESS REVENUES (EXPENDITURES)	**$2,246,323**	**$75,528**	**$574,829**	**($1,576,542)**	**$1,800,462**
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	$649,989	$0	$0	$6,037	$42,298
Capital Recovery Fees and Contributions	$2,182,445	$596,925	$375,468	$256,744	$0
OTHER FINANCING SOURCES (USES)	**$2,832,434**	**$596,925**	**$375,468**	**$262,781**	**$42,298**
NET CHANGE IN FUND BALANCE	**$5,078,757**	**$672,453**	**$950,297**	**($1,313,761)**	**$1,842,760**
BEGINNING FUND BALANCE	**$13,720,286**	**$13,047,833**	**$12,097,536**	**$13,411,297**	**$11,568,537**
ENDING FUND BALANCE (b)	**$18,799,043**	**$13,720,286**	**$13,047,833**	**$12,097,536**	**$13,411,297**

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of July 16, 2019, the District's General Fund had an unaudited cash and investment balance of approximately $18,671,862. The General Fund fiscal year 2019 budget calls for General Fund revenues of approximately $11,890,000 and General Fund operating expenditures of approximately $8,825,000. Additionally, the General Fund budget has included potential capital expenditures of approximately $1,865,000 and potential developer reimbursements of $2,335,000 that may be funded with general funds pending the needs of the District.

THE DEVELOPERS

Role of a Developer in a Municipal Utility District

In general, activities of developers in municipal utility districts, such as the District, include defining a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for construction of roads, and installation of utilities (including in some cases, a contribution of 30% of the costs of certain water, sewer, and drainage facilities pursuant to the rules of the TCEQ), as well as gas, telephone, and electric service, and selling improved lots and commercial reserves to builders or others. In addition, developers are ordinarily major taxpayers during the development phase of the property within a utility district, and their ability to pay taxes may affect the security of a district's bonds.

At the present time, there are four land developers that are in various stages of developing land in the District for either single family residential purposes or commercial properties. None of the developers in the District represent more than 1% of the District's 2018 tax roll.

DISTRICT DEBT
(unaudited)

5/1/2019 Estimated Taxable Value	$1,661,905,985	(a)
2019 Preliminary Taxable Value	$1,647,186,463	(b)
2018 Taxable Value	$1,536,949,679	(c)
Direct Debt		
Outstanding Bonds (As of August 1, 2019)	$79,565,000	
Plus The Bonds	$5,670,000	
Total Direct Debt	$85,235,000	
Estimated Overlapping Debt	$94,080,974	
Direct and Estimated Overlapping Debt	$179,315,974	
Percentage of Direct Debt to:		
5/1/2019 Estimated Taxable Value	5.13%	
2019 Preliminary Taxable Value	5.17%	
2018 Taxable Value	5.55%	
Percentage of Direct Overlapping Debt to:		
5/1/2019 Estimated Taxable Value	10.79%	
2019 Preliminary Taxable Value	10.89%	
2018 Taxable Value	11.67%	
2018 Tax Rate Per $100 of Assessed Value:		
Debt Service	$0.32	
Maintenance Tax	$0.20	
Total 2018 Tax Rate	$0.52	
Approximate General Fund Cash and Investment Balance as of July 16, 2019	$18,671,862	(d)
Approximate Debt Service Fund Cash and Investment Balance as of July 16, 2019	$4,609,472	(e)

(a) Reflects data supplied by HCAD. The Estimated Taxable Value as of 5/1/2019 was prepared by HCAD and provided to the District. Such value is not binding on HCAD and the value added after January 1, 2019, will not be included on the District's tax roll until the 2020 tax roll is prepared and certified by HCAD during the second half of 2020. See "TAX DATA" and "TAXING PROCEDURES."

(b) The 1/1/2019 Preliminary Taxable Value was prepared by HCAD and provided to the District for informational purposes only. The preliminary values are not binding on HCAD; such values are subject to protest and review by the Harris County Appraisal Review Board. Additional values resulting from new land development or building construction in the District subsequent to January 1, 2018, will not be included on the District's tax roll until the January 1, 2019 certified tax roll is prepared by HCAD during the second half of 2019. The figure above includes HCAD's value of real property plus the District's 2018 personal property values. The District is authorized by law to levy taxes only against certified values. See "TAX DATA" and "TAXING PROCEDURES."

(c) The District's 2018 Taxable Value figure above reflects the total certified value as of January 1, 2018, per HCAD. See "TAX DATA" and "TAXING PROCEDURES."

(d) Reflects unaudited cash and investment balance.

(e) Reflects unaudited cash and investment balance. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Rate Calculations."

Estimated Overlapping Debt

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

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Percent**	**Amount**
Klein Independent School District	$1,081,920,000	7.42%	$80,272,660
Harris County (a)	$1,729,428,022	0.35%	$6,090,945
Lone Star College System	$611,710,000	0.81%	$4,967,779
Harris County Flood Control District	$83,075,000	0.36%	$298,593
Port of Houston Authority	$613,699,397	0.36%	$2,215,236
Harris County Dept. of Education	$6,555,600	0.35%	$22,977
Harris County Hospital District	$59,490,000	0.36%	$212,783
Total Estimated Overlapping Debt			**$94,080,974**
The District's Direct Debt			$85,235,000
Total Direct and Estimated Overlapping Debt			**$179,315,974**

(a) Excludes the currently outstanding Harris County Toll Road Authority Bonds, which are paid from revenues and are considered to be self-supporting.

TAX DATA

Tax Distribution

The following table sets forth the tax rate distribution of the District for the years 2014 through 2018.

	2018	2017	2016	2015	2014
Debt Service	$0.32	$0.33	$0.36	$0.40	$0.4729
Maintenance/Operation	$0.20	$0.19	$0.19	$0.20	$0.2371
Total	**$0.52**	**$0.52**	**$0.55**	**$0.60**	**$0.7100**

Maintenance Tax

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. Such maintenance tax was authorized by vote of the District's electors in an amount not to exceed $0.25 per $100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any Tax Bonds which may be issued in the future.

Analysis of Tax Base

Based on information provided to the District by the District's Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by HCAD) for the years 2014 through 2018.

	Type of Property					
Year	**Land**	**Improvements**	**Personal Property**	**Gross Values**	**Exemptions** (a)	**Taxable Value** (b)
2018	$400,636,947	$1,209,422,840	$76,289,545	$1,686,349,332	$149,399,653	$1,536,949,679
2017	$383,500,237	$1,134,856,637	$65,134,050	$1,583,490,924	$143,433,927	$1,440,056,997
2016	$349,503,887	$1,085,745,741	$71,655,543	$1,506,905,171	$136,540,807	$1,370,364,364
2015	$326,592,712	$973,277,732	$70,960,527	$1,370,830,971	$128,507,419	$1,242,323,552
2014	$315,734,346	$796,935,073	$63,191,232	$1,175,860,651	$112,138,143	$1,063,722,508

(a) A majority of the exemptions is a result of the 10% Homestead Exemption granted to homeowners by the District.

(b) Represents the gross values supplied by HCAD less exemptions.

Principal Taxpayers

The list of principal taxpayers for 2018, and the other information in this table, was provided by the District's Tax Assessor/Collector based on certified tax rolls provided by HCAD, net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District.

Taxpayer	Type of Property	2018 Valuation	% of Total
Abbey STC LLC	Apartments	$46,603,438	3.03%
Parkside CCTL3 Master LLC Etal	Retail	$46,195,200	3.01%
Spring Crossing 1758 LLC	Retail	$33,793,873	2.20%
Wal-Mart Real Est Business Tru	Retail	$24,766,543	1.61%
A K S 35 2920 Southeast LP	Retail	$18,442,296	1.20%
HEB Grocery Company LP	Retail	$17,995,921	1.17%
PCDF Spring Win LLC	Retail	$16,892,016	1.10%
Spring Surgical Hospital Partn	Medical	$12,169,418	0.79%
A K S 57 NEC FM 2920 Kuykendah	Retail	$10,332,194	0.67%
A S 113 Spring Town Center Pha	Shopping Center	$10,097,350	0.66%
TOTAL		**$237,288,249**	**15.44%**

Levy and Collection

The following represents the collection history of District taxes; the collections represent cumulative collections for each year's tax levy through April 30, 2019. According to the District's Tax Assessor/Collector, the District's current tax collections for the tax years 2014 through 2018 averaged more than 97%.

Year	Taxable Valuation	Tax Rate	Adjusted Levy	Cumulative Collections	Ended 9/30
2018	$1,536,949,679	$0.52	$7,992,138	97%	2019
2017	$1,440,056,997	$0.52	$7,488,296	99%	2018
2016	$1,370,364,364	$0.55	$7,537,004	100%	2017
2015	$1,242,323,552	$0.60	$7,453,941	100%	2016
2014	$1,063,722,508	$0.71	$7,552,430	100%	2015

Tax Rate Calculations

The tax rate calculations set forth below, are presented to indicate the tax rates per $100 assessed valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the dates noted below. The foregoing further assumes collection of 95% of taxes levied, and assumes the issuance of the Bonds but no additional bonds.

Maximum Annual Debt Service Requirements (2031)	$6,459,711
$0.41 Tax Rate on 5/1/2019 Estimated Taxable Value of $1,661,905,985 (a) @ 95% collections produces	$6,473,124
$0.42 Tax Rate on 2019 Preliminary Taxable Value of $1,647,186,463 (a) @ 95% collections produces	$6,572,274
$0.45 Tax Rate on 2018 Taxable Value of $1,536,949,679 (a) @ 95% collections produces	$6,570,460

(a) Calculations based upon the Taxable Value of the District. The Board has adopted a 10% homestead exemption since 1993.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. See "DISTRICT DEBT -- Estimated Overlapping Debt."

Set forth below are all 2018 taxes levied by such taxing jurisdictions, assuming each assesses at 100% basis of assessment. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy of entities other than political subdivisions.

Taxing Jurisdictions	2018 Tax Rate Per $100 Assessed Valuation
Klein Independent School District	$1.430000
Harris County (a)	$0.635170
Lone Star College System	$0.107800
Harris County Emergency Service District 7	$0.096060
Harris County Emergency Service District 11	$0.036060
	$2.305090
The District	$0.520000
Estimated Total Tax Rate	**$2.825090**

(a) Includes taxes levied by Harris County, Port of Houston, Harris County Education Department, Harris County Hospital District, and the Harris County Flood Control District.

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 and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "INVESTMENT CONSIDERATIONS - Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS - Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by the voters in the District. See "TAX DATA – Tax Distribution."

Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. HCAD 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"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of $3,000, or between $5,000 and $12,000 depending on the disability rating of the veteran, of taxable valuation. During 2019 the District granted $25,000 exemption for the elderly and disabled in the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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 by July 1. The District has adopted an order granting a general 10% residential homestead exemption each year including 2018 since 1993.

Freeport Goods and Goods-in-Transit Exemptions: Freeport goods are goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, that have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within 175 days. Freeport goods are exempted from taxation by the District. Effective January 1, 2008, a “Goods-in-Transit Exemption” may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the District), Harris County, Klein Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. No tax abatement agreements exist at this time with any property owners in the District.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code.

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. 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 chief 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 for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of 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.

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District’s collection of taxes for debt services in the year following a disaster.

Rollback of Operation and Maintenance Tax Rate

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

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units. Special Taxing Units that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts. Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are levied. On January 1 of each year, a tax lien attaches to property in the District to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

In addition to actions under the tax lien describe above, the District has legal authority to terminate water service to any taxpayer whose taxes remain delinquent after August 1st of each year.

Bankruptcy Limitation to Registered Owners Rights

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

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

ANNEXATION AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent. However, pursuant to legislation, effective December 1, 2017, the City may not annex the District unless (i) such annexation is approved by voters in an election held for that purpose within the area proposed to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition is signed by more than 50% at the landowners consenting to the annexation. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within 90 days. The District makes no representation concerning the ability of the City to pay debt service on the District's bonds. 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 of Houston will ever annex the District and assume its debt, nor does the District make any representation that annexation might occur. Notwithstanding the above provisions, the City and the District entered into a Strategic Partnership Agreement ("SPA"), effective April 3, 2007, which provides for the City to assess the City's Sales & Use Tax within the District's commercial areas. Additionally, the SPA provides that the City will not annex the areas within the District during the term of the SPA. The term of the SPA is through April 3, 2037. See "THE DISTRICT – Strategic Partnership Agreement."

Consolidation

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

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriter with 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 Radcliffe Bobbitt Adams Polley PLLC ("Bond Counsel") to the effect that, based upon an examination of such transcript, the Bonds are legal, valid, and binding obligations of the District and that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix C hereto.

The opinion of Bond Counsel is expected to be reproduced on the back panel of the Bonds. Failure to print such legal opinion on any Bond shall not constitute cause for a failure or refusal by the Underwriter to accept delivery of, and pay for the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15-c2-12," "REGISTRATION," "THE BONDS," "THE DISTRICT – General," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "LEGAL MATTERS" (as it relates to the opinion of bond counsel), "TAX EXEMPTION," "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the procedures, documents, and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Radcliffe Bobbitt Adams Polley PLLC 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. Therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

TAX EXEMPTION

In the opinion of Radcliffe Bobbitt Adams Polley PLLC, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Bonds Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Bonds Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the Bonds laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the Bonds laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, HCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, and engineering and other related reports 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.

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.

Financial Advisor

The Official Statement was compiled and edited under the supervision of the District's Financial Advisor. The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered. Therefore, such fees are contingent on the sale and delivery of the Bonds.

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 matters generally, to the description of the System and, in particular, that engineering related information included in the sections entitled "USE OF BOND PROCEEDS," "THE DISTRICT – Description" and "THE SYSTEM" has been provided by Jones & Carter, Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Harris County Appraisal District and by Equi-Tax, Inc., the District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors: The audited financial statements of the District and the accompanying report by McCall Gibson Swedlund Barfoot PLLC are shown in Appendix A. McCall Gibson Swedlund Barfoot PLLC has agreed to the publication of its audit report on such financial statements in this official statement. McCall Gibson Swedlund Barfoot PLLC was not requested to perform any updating procedures subsequent to the date of its audit report on the December 31, 2018, financial statements.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, to the other matters described in the Official Statement until the delivery of the Bonds to the Underwriter, unless the Underwriter notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend until the earlier of the time when all of the Bonds have been sold or 90 days after delivery of the Bonds.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles, and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is filed with the TCEQ within 135 days after the close of its fiscal year. Copies of each audit report are also filed in the office of the District and with the City Secretary or other designated City official of the City.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019.

Certification as to Official Statement

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

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

APPENDIX A

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

BRIDGESTONE MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

BRIDGESTONE MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bridgestone Municipal Utility District
Harris County, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Bridgestone Municipal Utility District

Opinions

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

Required Supplementary Information

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

Supplementary Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 16, 2019

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Management's discussion and analysis of Bridgestone Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $19,425,495 as of December 31, 2018. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 40,234,544	$ 29,617,455	$ 10,617,089
Capital Assets (Net of Accumulated Depreciation)	74,601,834	74,457,345	144,489
Total Assets	$ 114,836,378	$ 104,074,800	$ 10,761,578
Deferred Outflows of Resources	$ 3,416,540	$ 3,626,780	$ (210,240)
Bonds Payable	$ 80,189,422	$ 75,480,146	$ (4,709,276)
Due to Developers	8,764,112	7,992,259	(771,853)
Other Liabilities	1,883,509	1,859,882	(23,627)
Total Liabilities	$ 90,837,043	$ 85,332,287	$ (5,504,756)
Deferred Inflows of Resources	$ 7,990,380	$ 7,479,228	$ (511,152)
Net Position:			
Net Investment in Capital Assets	$ (4,620,964)	$ (4,789,154)	$ 168,190
Restricted	2,070,864	2,699,650	(628,786)
Unrestricted	21,975,595	16,979,569	4,996,026
Total Net Position	$ 19,425,495	$ 14,890,065	$ 4,535,430

The following table provides a summary of the District's operations for the years ending December 31, 2018, and December 31, 2017. The District's net position increased by $4,535,430, or 30.5%.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 7,468,645	$ 7,548,714	$ (80,069)
Charges for Services	7,378,704	6,672,236	706,468
Other Revenues	4,030,618	1,668,297	2,362,321
Total Revenues	$ 18,877,967	$ 15,889,247	$ 2,988,720
Expenses for Services	14,342,537	14,583,640	241,103
Change in Net Position	$ 4,535,430	$ 1,305,607	$ 3,229,823
Net Position, Beginning of Year	14,890,065	13,584,458	1,305,607
Net Position, End of Year	$ 19,425,495	$ 14,890,065	$ 4,535,430

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2018, were $27,550,333, an increase of $10,184,744 from the prior year.

The General Fund fund balance increased by $5,078,757, primarily due to operating, sales tax revenues, property tax revenues and capital recover fees exceeding operating and administrative costs.

The Debt Service Fund fund balance decreased by $609,083, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $5,715,070. The District sold its Series 2018 bonds to fund various projects discussed in Note 18.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to increase tap connection and inspection fees as well as chemical costs. Actual revenues were $1,375,963 more than budgeted revenues primarily due to higher than anticipated service revenues, tap revenues, investment revenues and sales tax revenues. Actual expenditures were $6,703,414 less than budgeted expenditures primarily due to actual capital outlay and repairs and maintenance costs being lower than budgeted.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total $74,601,834 (net of accumulated depreciation) and include land and construction in progress, as well as the water, wastewater and drainage systems. The District used bond proceeds received in the current and prior years as well as surplus funds to pay for costs related to the new District administration building, reimburse developers for various projects, and construction/rehabilitation of water, wastewater and drainage facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 12,757,719	$ 11,056,455	$ 1,701,264
Construction in Progress	1,078,323	563,854	514,469
Capital Assets, Net of Accumulated Depreciation:			
Water System	15,788,262	16,301,793	(513,531)
Wastewater System	24,638,959	25,190,733	(551,774)
Drainage System	20,338,571	21,344,510	(1,005,939)
Total Net Capital Assets	$ 74,601,834	$ 74,457,345	$ 144,489

LONG-TERM DEBT ACTIVITY

As of December 31, 2018, the District had total bond debt payable of $80,785,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	$ 76,050,000
Add: Bond Sale - Series 2018	7,400,000
Less: Bond Principal Paid	2,665,000
Bond Debt Payable, December 31, 2018	$ 80,785,000

The District's underlying rating is "A". The Series 2008, 2009-A, 2009-B, 2011, 2012 Refunding and 2018 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2014, 2015 and 2016 Refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings reflect all changes through December 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bridgestone Municipal Utility District, c/o Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 3,719,207	$ 922,617
Investments	15,931,165	3,182,622
Receivables:		
Property Taxes	2,263,585	3,628,529
Penalty and Interest on Delinquent Taxes		
Service Accounts	457,627	
Accrued Interest	23,778	14,031
Due from Other Funds	324,498	
Prepaid Costs	179,588	
Due from City of Houston	300,576	
Chloramination Credit Receivable		
Elevated Storage Tank Credit Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 23,200,024	$ 7,747,799
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 23,200,024	$ 7,747,799

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 6,436,905	$ 11,078,729	$	$ 11,078,729
	19,113,787		19,113,787
	5,892,114		5,892,114
		22,941	22,941
	457,627		457,627
	37,809		37,809
	324,498	(324,498)	
	179,588	78,599	258,187
	300,576		300,576
		392,525	392,525
		2,680,249	2,680,249
		12,757,719	12,757,719
		1,078,323	1,078,323
		60,765,792	60,765,792
$ 6,436,905	$ 37,384,728	$ 77,451,650	$ 114,836,378
$ -0-	$ -0-	$ 3,416,540	$ 3,416,540
$ 6,436,905	$ 37,384,728	$ 80,868,190	$ 118,252,918

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

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 400,065	$
Accrued Interest Payable		
Due to Other Funds		324,498
Security Deposits	902,515	
Accrued Interest at Time of Sale		21,972
Long-Term Liabilities:		
Due to Developers		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,302,580	$ 346,470
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 3,098,401	$ 4,964,235
FUND BALANCES		
Nonspendable - Prepaid Costs	$ 179,588	$
Restricted for Authorized Construction		
Restricted for Debt Service		2,437,094
Committed for Construction	508,649	
Assigned to 2019 Budget Deficit	617,578	
Unassigned	17,493,228	
TOTAL FUND BALANCES	$ 18,799,043	$ 2,437,094
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 23,200,024	$ 7,747,799
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 122,709	$ 522,774	$	$ 522,774
		458,220	458,220
	324,498	(324,498)	
	902,515		902,515
	21,972	(21,972)	
		8,764,112	8,764,112
		2,775,000	2,775,000
		77,414,422	77,414,422
$ 122,709	$ 1,771,759	$ 89,065,284	$ 90,837,043
$ -0-	$ 8,062,636	$ (72,256)	$ 7,990,380
$	$ 179,588	$ (179,588)	$
6,314,196	6,314,196	(6,314,196)	
	2,437,094	(2,437,094)	
	508,649	(508,649)	
	617,578	(617,578)	
	17,493,228	(17,493,228)	
$ 6,314,196	$ 27,550,333	$ (27,550,333)	$ - 0 -
$ 6,436,905	$ 37,384,728		
		$ (4,620,964)	$ (4,620,964)
		2,070,864	2,070,864
		21,975,595	21,975,595
		$ 19,425,495	$ 19,425,495

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

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances - Governmental Funds		$ 27,550,333
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		3,072,774
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		3,416,540
Prepaid bond insurance costs are amortized over the term of the bonds in the government-wide financial statements.		78,599
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		74,601,834
Deferred inflows of resources related to property tax revenues and penalty and interest reveivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		95,197
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (8,764,112)	
Accrued Interest Payable	(436,248)	
Bonds Payable	(80,189,422)	(89,389,782)
Total Net Position - Governmental Activities		$ 19,425,495

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

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BRIDGESTONE MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 2,739,462	$ 4,760,466
Water Service	1,462,109	
Wastewater Service	1,287,593	
Solid Waste Disposal	1,067,580	
Water Authority Fees	2,294,804	
Penalty and Interest	100,750	64,563
Tap Connection and Inspection Fees	1,110,090	
Water Authority Credits	256,966	
Sales Tax Revenues	1,278,493	
Miscellaneous Revenues	346,636	87,665
TOTAL REVENUES	$ 11,944,483	$ 4,912,694
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 510,310	$ 24,360
Contracted Services	2,222,776	138,545
Purchased Water Service	2,220,948	
Utilities	371,093	
Water Authority Assessments	370,535	
Repairs and Maintenance	1,054,255	
Depreciation		
Other	1,870,943	28,353
Capital Outlay	1,077,300	
Debt Service:		
Bond Issuance Costs		
Bond Principal		2,665,000
Bond Interest		2,665,519
TOTAL EXPENDITURES/EXPENSES	$ 9,698,160	$ 5,521,777
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 2,246,323	$ (609,083)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	$ 649,989	$
Capital Recovery Fees and Contributions	2,182,445	
Bond Discount		
Proceeds from Issuance of Long-Term Debt		
TOTAL OTHER FINANCING SOURCES (USES)	$ 2,832,434	$ -0-
NET CHANGE IN FUND BALANCES	$ 5,078,757	$ (609,083)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2018	13,720,286	3,046,177
FUND BALANCES/NET POSITION - DECEMBER 31, 2018	$ 18,799,043	$ 2,437,094

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 7,499,928	$ (31,283)	$ 7,468,645
	1,462,109		1,462,109
	1,287,593		1,287,593
	1,067,580		1,067,580
	2,294,804		2,294,804
	165,313	(8,785)	156,528
	1,110,090		1,110,090
	256,966	(68,490)	188,476
	1,278,493		1,278,493
909	435,210	2,128,439	2,563,649
$ 909	$ 16,858,086	$ 2,019,881	$ 18,877,967
$	$ 534,670	$	$ 534,670
	2,361,321		2,361,321
	2,220,948		2,220,948
	371,093		371,093
	370,535		370,535
	1,054,255		1,054,255
		2,122,787	2,122,787
324	1,899,620		1,899,620
472,108	1,549,408	(1,549,408)	
504,579	504,579		504,579
	2,665,000	(2,665,000)	
	2,665,519	237,210	2,902,729
$ 977,011	$ 16,196,948	$ (1,854,411)	$ 14,342,537
$ (976,102)	$ 661,138	$ 3,874,292	$ 4,535,430
$ (649,989)	$	$	$
	2,182,445	(2,182,445)	
(58,839)	(58,839)	58,839	
7,400,000	7,400,000	(7,400,000)	
$ 6,691,172	$ 9,523,606	$ (9,523,606)	$ -0-
$ 5,715,070	$ 10,184,744	$ (10,184,744)	$
		4,535,430	4,535,430
599,126	17,365,589	(2,475,524)	14,890,065
$ 6,314,196	$ 27,550,333	$ (8,124,838)	$ 19,425,495

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

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds	$ 10,184,744
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(31,283)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(8,785)
Governmental funds report repayment of long-term receivables as revenues in the period received. However, in the Statement of Net Position, reimbursements reduce long-term receivables.	(68,490)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(2,122,787)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,495,402
Bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	58,839
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,665,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(237,210)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(7,400,000)
Change in Net Position - Governmental Activities	$ 4,535,430

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

NOTE 1. CREATION OF DISTRICT

Bridgestone Municipal Utility District of Harris County, Texas (the "District") was created effective July 29, 1976, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 14, 1976, and the first bonds were sold on March 14, 1978.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2017 tax levy collections during the period October 1, 2017, to December 31, 2018. In addition, taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies are included in revenue. Recognition of tax revenues for the 2018 tax levy has been deferred until the 2019 fiscal year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

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

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed $508,649 of its General Fund fund balance for improvements to District infrastructure.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2018, the District has assigned $617,578 of the General Fund fund balance to be used for a budgeted General Fund deficit during the year ending December 31, 2019.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2008	Series 2009-A
Amount Outstanding – December 31, 2018	$ 1,060,000	$ 560,000
Interest Rates	4.125% - 5.000%	5.50%
Maturity Dates – Serially Beginning/Ending	November 1, 2019/2020	November 1, 2019/2020
Interest Payment Dates	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2018*	November 1, 2019*

* Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2009-B	Series 2010 Refunding	Series 2011
Amount Outstanding – December 31, 2018	$ 14,925,000	$ 1,185,000	$ 6,300,000
Interest Rates	4.00% - 5.25%	4.00%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	November 1, 2019/2036	November 1, 2019/2020	November 1, 2019/2038
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	November 1, 2019*	November 1, 2019*	November 1, 2021*

	Refunding Series 2012	Series 2014	Series 2015
Amount Outstanding – December 31, 2018	$ 4,720,000	$ 3,865,000	$ 6,410,000
Interest Rates	2.50% - 4.00%	2.00% - 4.00%	2.125% - 4.000%
Maturity Dates – Serially Beginning/Ending	May 1, 2019/2028	May 1, 2019/2041	May 1, 2021/2041
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2020*	May 1, 2022*	May 1, 2022*

* Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2009-B term bonds due November 1, 2036, are subjected to mandatory redemption on November 1, 2034. Series 2011 term bonds due November 1, 2027, November 1, 2036, and November 1, 2038 are subjected to mandatory redemption on November 1, 2022, November 1, 2033, and November 1, 2037. Series 2014 term bonds due May 1, 2026, May 1, 2028, May 1, 2030, May 1, 2032, May 1, 2034, May 1, 2036, May 1, 2038, and May 1, 2041, are subjected to mandatory redemption on May 1, 2025, May 1, 2027, May 1, 2029, May 1, 2031, May 1, 2033, May 1, 2035, May 1, 2037, and May 1, 2039, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2016	Series 2018
Amount Outstanding – December 31, 2018	$34,360,000	$7,400,000
Interest Rates	2.00% - 4.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	May 1, 2019/2036	May 1, 2023/2047
Interest Payment Dates	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2022*	May 1, 2023*

* Or on any other date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2018 term bonds due May 1, 2037 are subject to mandatory redemption on May 1, 2035.

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

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	$ 76,050,000	$ 7,400,000	$ 2,665,000	$ 80,785,000
Unamortized Discounts	(867,917)	(58,839)	(71,723)	(855,033)
Unamortized Premiums	298,063		38,608	259,455
Bonds Payable, Net	$ 75,480,146	$ 7,341,161	$ 2,631,885	$ 80,189,422

Amount Due Within One Year	$ 2,775,000
Amount Due After One Year	77,414,422
Bonds Payable, Net	$ 80,189,422

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2019	$ 2,775,000	$ 2,826,902	$ 5,601,902
2020	2,810,000	2,746,273	5,556,273
2021	2,810,000	2,601,678	5,411,678
2022	2,995,000	2,493,204	5,488,204
2023	3,320,000	2,391,149	5,711,149
2024-2028	18,775,000	10,455,779	29,230,779
2029-2033	23,110,000	7,155,215	30,265,215
2034-2038	18,580,000	2,886,964	21,466,964
2039-2043	3,885,000	654,796	4,539,796
2044-2047	1,725,000	141,500	1,866,500
	$ 80,785,000	$ 34,353,460	$ 115,138,460

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 and 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 wastewater system.

As of December 31, 2018, the District had authorized but unissued tax and revenue bonds in the amount of $5,708,668 that may be issued for the purpose of constructing facilities to serve the District and for refunding purposes.

During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of $0.32 per $100 of assessed valuation, which resulted in a tax levy of $4,917,157 on the adjusted taxable valuation of $1,535,576,040 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue and every 5^{th} year thereafter.

The District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of collateral eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such collateral is pledged. At fiscal year end, the carrying amount of the District's deposits was $15,027,738 and the bank balance was $15,873,911. The District was not exposed to custodial credit risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 3,719,207	$ 2,357,981	$ 6,077,188
DEBT SERVICE FUND	922,617	1,591,028	2,513,645
CAPITAL PROJECTS FUND	6,436,905		6,436,905
TOTAL DEPOSITS	$ 11,078,729	$ 3,949,009	$ 15,027,738

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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

The District records its investment in certificates of deposit at acquisition cost.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 8,419,202	$ 8,419,202
TexSTAR	5,153,982	5,153,982
Certificates of Deposit	2,357,981	2,357,981
DEBT SERVICE FUND		
TexPool	1,591,594	1,591,594
Certificates of Deposit	1,591,028	1,591,028
TOTAL INVESTMENTS	$ 19,113,787	$ 19,113,787

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investments in TexPool and TexSTAR were rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 11,056,455	$ 1,701,264	$	$ 12,757,719
Construction in Progress	563,854	2,267,276	1,752,807	1,078,323
Total Capital Assets Not Being Depreciated	$ 11,620,309	$ 3,968,540	$ 1,752,807	$ 13,836,042
Capital Assets Subject to Depreciation				
Water System	$ 23,646,130	$ 121,220	$	$ 23,767,350
Wastewater System	35,032,174	1,085,474	703,645	35,414,003
Drainage System	26,578,651		451,506	26,127,145
Total Capital Assets Subject to Depreciation	$ 85,256,955	$ 1,206,694	$ 1,155,151	$ 85,308,498
Less Accumulated Depreciation				
Water System	$ 7,344,337	$ 634,751	$	$ 7,979,088
Wastewater System	9,841,441	933,603		10,775,044
Drainage System	5,234,141	554,433		5,788,574
Total Accumulated Depreciation	$ 22,419,919	$ 2,122,787	$ - 0 -	$ 24,542,706
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 62,837,036	$ (916,093)	$ 1,155,151	$ 60,765,792
Total Capital Assets, Net of Accumulated Depreciation	$ 74,457,345	$ 3,052,447	$ 2,907,958	$ 74,601,834

NOTE 7. MAINTENANCE TAX

At an election held on August 14, 1976, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended December 31, 2018, the District levied an ad valorem maintenance tax rate of $0.20 per $100 of assessed valuation, which resulted in a tax levy of $3,073,223 on the adjusted taxable valuation of $1,535,576,040 for the 2018 tax year. Taxes collected from the 2018 tax levy have been fully deferred to the 2019 fiscal year.

NOTE 8. INTERFUND RECEIVABLE, PAYABLE AND TRANSFER

As of December 31, 2018, the Debt Service Fund owed the General Fund $324,498 for maintenance tax collections. The Capital Projects Fund transferred $649,989 to the General Fund to reimburse the fund for land costs paid in a prior year.

NOTE 9. INTERIM AND EMERGENCY WATER SUPPLY AGREEMENTS

On March 8, 1999, the District approved an Emergency Water Supply Agreement with Bilma Public Utility District. On August 20, 2013, the District approved the Amended and Restated Emergency Water Supply Agreement. Under the terms of the agreement, the district supplying water will bill the receiving district at a rate of $1.50 per 1,000 gallons of water usage plus the applicable North Harris County Regional Water Authority fee for surface water consumption. If the supplying district is buying the supplied water from any adjoining district, the receiving district will pay for water at a rate per 1,000 gallons equal to the rate paid by the supplying district for such water if such rate is greater than the rate stated above.

On May 1, 2007, the District approved an Emergency Water Supply Contract with Northwest Harris County Municipal Utility District No. 30. Under the terms of the agreement, the district supplying water can either: (1) be repaid in kind, or (2) bill the receiving district at a rate of $1.50 per 1,000 gallons of water usage or, if the supplying district is buying the supplied water from any adjoining district, bill the receiving district at the rate it is paying for the water. In addition, if the supplying district has converted to use of surface water, the billed cost will be the price per 1,000 gallons the supplying district is paying for surface water. The term of the agreement is for a period of 20 years from the date of execution, unless terminated pursuant to the provisions of the agreement or pursuant to mutual written consent of the districts.

On December 18, 2008, the District approved an Emergency Water Supply Contract with Northwest Harris County Municipal Utility District No. 32 (District No. 32). Under the terms of the agreement, the district supplying water can either: (1) be repaid in kind, or (2) bill the receiving district at a rate of $1.50 per 1,000 gallons of water usage as reflected by the interconnect meter, or such other rate that the districts may agree upon in writing from time-to-time. In addition, if the supplying district has converted to use of surface water, the billed cost will be the actual cost per 1,000 gallons to the supplying district to purchase surface water, or the above rate may be increased by the amount of the fee per 1,000 gallons imposed by the North Harris County Regional Water Authority. The term of the agreement is for a period of 20 years from the date of execution, unless terminated pursuant to the provisions of the agreement or pursuant to mutual written consent of the districts.

NOTE 10. WATER SUPPLY AND WASTEWATER TREATMENT SERVICE AGREEMENTS

<u>NORTHWOODS EDUCATION FOUNDATION</u>

On March 12, 2001, the District entered into a Water Supply and Wastewater Treatment Service Agreement with Northwoods Educational Foundation (Northwoods) in which Northwoods paid the District $190,750 comprised of payments of $72,000 for 32,000 gallons per day (gpd) of capacity in the District's water plant and $118,750 for 25,000 gpd of capacity in the District's wastewater treatment plant. Northwoods constructed a waterline and wastewater collection facility and provided the District a site for a lift station. Upon completion of construction, Northwoods conveyed the portion of such facilities located between the point of connection to

NOTE 10. WATER SUPPLY AND WASTEWATER TREATMENT SERVICE AGREEMENTS (Continued)

NORTHWOODS EDUCATION FOUNDATION (Continued)

the District's system to the location of the metering equipment to the District. The District is responsible for maintenance of said facilities. The water and wastewater rates charged to Northwoods shall not exceed the rates charged to commercial customers in the District's rate order. The term of this agreement is 40 years.

KLEIN UNITED METHODIST CHURCH

On May 17, 2005, the District entered into a Water Supply and Wastewater Treatment Service Agreement with Klein United Methodist Church (KUMC). KUMC constructed, at its sole cost, the water line extension and wastewater connection necessary to provide an amount of water not to exceed 3,300 gallons per day (gpd) of capacity in the District's water treatment facilities and the wastewater treatment plant not to exceed 2,800 gpd of capacity. KUMC paid the District a total of $15,067 for its share of capacity comprised of $7,227 for capacity in the District's water plant and $7,840 for capacity in the District's wastewater treatment plant in accordance with this agreement. The District, at its sole cost, owns, operates and maintains the lines located between the point of connection to the District's system. The water and wastewater rates charged to KUMC will not exceed the rates charged to in-district commercial customers for similar services. The term of this agreement is 40 years.

KLEIN INDEPENDENT SCHOOL DISTRICT

On November 15, 2005, the District entered into a Water Supply and Wastewater Treatment Service Agreement with Klein Independent School District (Klein) in which the District constructed, at Klein's sole cost, the water line and wastewater collection line necessary to provide an amount of water not to exceed 40,000 gallons per day (gpd) of capacity in the District's water treatment facilities and the wastewater treatment plant not to exceed 30,000 gpd of capacity. Klein paid the District $87,600 for capacity in the District's water plant and $84,000 for capacity in the District's wastewater treatment plant. Klein received credits toward the costs of capacity in the amounts of $54,000 for a 2.4-acre future water plant site and $5,600 for a 10-foot waterline easement. Thus, the total payment by Klein for its capacity was $112,000. The District owns, operates and maintains the lines located between the point of connection to the District's system. The water and wastewater rates charged to Klein will not exceed the rates charged to out-of-district commercial for similar services. The term of this agreement is 40 years.

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee charged is $3.40 per 1,000 gallons of water pumped from each well. The District recorded expenditures of $370,535 for fees assessed during the current fiscal year.

On December 19, 2006, the District approved the Groundwater Transfer Agreement-Buyer (the "Agreement") with the Authority. This Agreement was amended on June 1, 2010. In accordance with the Agreement, the District has elected to participate in the groundwater transfer program of the Authority, under the Regulations for Buy/Sell Agreement for Implementation of the Groundwater Transfer Program adopted by the Authority on September 8, 2003, as amended, and agrees to assume all rights and obligations of a seller. The Authority has agreed to the District electing the buyer status. The District agrees to buy and receive water from the Authority and the Authority agrees to sell and deliver water to the District at the minimum and maximum volumes as set forth in the Agreement.

The current rate for purchased water is $3.85 per 1,000 gallons of water. The District recorded expenditures of $2,220,498 for water purchased from the Authority during the current fiscal year.

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine system. The District's reimbursable cost of this system was $449,562. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the December 2010 Authority billing. Total credits earned in the current fiscal year were $32,660. Of this amount, $8,593 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (Continued)

Chloramine Conversion Reimbursement (Continued)

Fiscal Year	Principal
2019	$ 9,109
2020	9,655
2021	10,234
2022	10,849
2023	11,499
2024-2028	68,713
2029-2033	91,953
2034-2038	123,054
2039-2040	57,459
	$ 392,525

Elevated Storage Tank Reimbursement

The Authority authorized a capital reimbursement credit to the District in the total amount of $3,087,533 in connection with the construction of an elevated storage tank. The Authority calculated the reimbursement credit at 6% interest over a 30-year period. The credit amount is applied monthly and the District began receiving the elevated storage tank credits on the September 2010 Authority billing. Total credits earned in the current fiscal year were $224,306. Of this amount, $59,897 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining elevated storage tank credits to be received under the terms of the agreement.

Fiscal Year	Principal
2019	$ 63,491
2020	67,300
2021	71,338
2022	75,619
2023	80,156
2024-2028	478,957
2029-2033	640,953
2034-2038	857,739
2039-2040	344,696
	$ 2,680,249

NOTE 12. UNREIMBURSED COSTS

In accordance with the terms of certain development financing agreements, Developers within the District have made expenditures on behalf of the District for water, sewer and drainage facilities for which the District has not sold bonds. Reimbursements will come from proceeds of future bond sales or surplus General Fund money.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT

On March 27, 2007, the District entered into a Strategic Partnership Agreement ("SPA") with the City of Houston, Texas. The agreement was amended on December 9, 2009, October 19, 2010, and October 18, 2011. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code, the City has annexed a tract of land within the District for limited purposes. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The City may not annex the District for full purposes during the term of this agreement. The City imposes a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City pays to the District one-half of all Sales and Use Tax revenues collected within the District within 30 days of the City receiving the funds from the State Comptroller's office. The term of this SPA is 30 years from the effective date of April 3, 2007. During the current fiscal year, the District recorded revenues in the amount of $1,278,493 in relation to this agreement.

NOTE 15. ESCROW REQUIREMENTS AND USE OF SURPLUS FUNDS

The District was required by the Commission to escrow $9,163,195 of its Series 2008 bonds. On October 8, 2008, the Commission approved the release of $2,507,825 from escrow to fund the costs of the Kuykendahl waterline extension, Upper Seals Gully pipeline adjustment, elevated storage tank land costs and Upper Seals Gully land costs. On April 13, 2009, the Commission approved the release of $2,712,600 from escrow to fund the elevated storage tank project and the release of and change in scope to reallocate $2,869,900 from Water Plant No. 3 expansion and Water Plant No. 4 construction to fund the wastewater treatment plant expansion. On August 27, 2009, the Commission approved the release of $556,600 to fund Rhodes Road waterline extension. On September 8, 2016, the Commission approved the release of $484,770 to fund costs associated with Spring Stuebner Road waterline extension.

NOTE 15. ESCROW REQUIREMENTS AND USE OF SURPLUS FUNDS (Continued)

On July 27, 2018, the Commission approved the release of and change in scope to reallocate $31,500 from the Kuykendahl waterline extension and $127,820 from the wastewater manholes rehabilitation to fund the purchase and acquisition of land on which to construct the District administration building. Additionally, the Commission approved the use of surplus Capital Projects Fund monies in the amount of $439,311 to pay for the costs associated with the acquisition of land on which to construct the District administration building.

NOTE 16. BONDS GULLY IMPROVEMENTS COST SHARING AGREEMENT

Effective July 10, 2018, the District, Meadowhill Regional Municipal Utility District ("Meadowhill"), Klein Independent School District ("KISD") and Champion Forest Baptist Church ("CFBC") (collectively the "Parties") entered into a cost sharing agreement. The agreement provided for Meadowhill, KISD and CFBC to reimburse the District $1,500,000 for extensive improvements ("Improvements") made by the District to Bonds Gully which directly benefit property located in the District and Meadowhill, as well as an approximately 68.5815-acre tract of land owned by KISD and the portion of the approximately 44.7317-acre tract of land owned by CFBC that drains generally southward toward Bonds Gully, which totals approximately 28 acres. The Improvements will continue to be maintained by the District until conveyed to HCFCD. Costs will be allocated to the Parties on a pro-rata basis based on acreage of each Party sending stormwater flow to or through the Improvements. The agreement also addresses stormwater drainage improvements which may be constructed by Meadowhill, KISD and/or CFBC.

NOTE 17. COST SHARING AND SERVICE AGREEMENTS

On January 25, 2018, the District, KISD, CFBC, and Stewart Title (collectively the "Parties") entered into a Cost Sharing Agreement for the design and construction of water and wastewater improvements, a waterline extension, and wastewater connection and lift station upgrades ("Improvements") for the benefit of KISD and CFBC. The District is responsible for the design and construction of the improvements pursuant to the plans and specifications approved by the District at the sole cost of KISD and CFBC. After construction, the ownership of the improvements will be with the District. The District will maintain the improvements and KISD and CFBC will reimburse the District for their share per this agreement.

On January 18, 2018 and January 25, 2018 KISD and CFBC, respectively, entered into out-of-district service agreements with the District. The agreements outline services to be provided, rates for such services and capacity fees paid upon execution of the agreements.

NOTE 18. BOND SALE

On November 29, 2018, the District issued its $7,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018. Proceeds of the bonds were used to finance construction and engineering costs related to the MUD Operations and Water Education Center, wireless radio SCADA system and lift station no. 8. Additional proceeds were used to pay for bond issuance costs.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 2,745,547	$ 2,745,547	$ 2,739,462	$ (6,085)
Water Service	1,550,000	1,550,000	1,462,109	(87,891)
Wastewater Service	1,160,000	1,160,000	1,287,593	127,593
Solid Waste Disposal	995,000	995,000	1,067,580	72,580
Water Authority Fees	2,000,000	2,000,000	2,294,804	294,804
Penalty and Interest	90,000	90,000	100,750	10,750
Tap Connection and Inspection Fees	255,000	530,000	1,110,090	580,090
Water Authority Credits	256,966	256,966	256,966	
Sales Tax Revenues	1,035,000	1,035,000	1,278,493	243,493
Miscellaneous Revenues	206,007	206,007	346,636	140,629
TOTAL REVENUES	$ 10,293,520	$ 10,568,520	$ 11,944,483	$ 1,375,963
EXPENDITURES				
Services Operations:				
Professional Fees	$ 632,000	$ 632,000	$ 510,310	$ 121,690
Contracted Services	2,189,850	2,189,850	2,222,776	(32,926)
Purchased Water/Pumpage Fees	2,500,000	2,500,000	2,591,483	(91,483)
Utilities	350,000	350,000	371,093	(21,093)
Other	1,258,630	1,433,630	1,870,943	(437,313)
Capital Outlay/Repairs and Maintenance	9,296,094	9,296,094	2,131,555	7,164,539
TOTAL EXPENDITURES	$ 16,226,574	$ 16,401,574	$ 9,698,160	$ 6,703,414
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (5,933,054)	$ (5,833,054)	$ 2,246,323	$ 8,079,377
OTHER FINANCING SOURCES(USES)				
Transfers In	$ 523,000	$ 523,000	$ 649,989	$ 126,989
Capital Recovery Fees and Contributions	850,000	850,000	2,182,445	1,332,445
TOTAL OTHER FINANCING SOURCES (USES)	$ 1,373,000	$ 1,373,000	$ 2,832,434	$ 1,459,434
NET CHANGE IN FUND BALANCE	$ (4,560,054)	$ (4,460,054)	$ 5,078,757	$ 9,538,811
FUND BALANCE - JANUARY 1, 2018	13,720,286	13,720,286	13,720,286	
FUND BALANCE - DECEMBER 31, 2018	$ 9,160,232	$ 9,260,232	$ 18,799,043	$ 9,538,811

See accompanying independent auditor’s report.

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BRIDGESTONE MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2018

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved September 18, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 8.00	3,000	N	$ 1.30	3,001 to 10,000
				1.70	10,001 to 20,000
				1.75	20,001 to 30,000
				2.00	30,001 and up
WASTEWATER:	$ 13.31		Y		
SURCHARGE:					
Solid Waste/ Garbage	$ 16.65		Y		
Regional Water Authority Fees	$ 3.65 per 1,000 gallons of water usage				

District employs winter averaging for wastewater usage? ______ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $17.10 Wastewater: $13.31 Surcharge: $53.15

See accompanying independent auditor’s report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	2	2	x 1.0	2
≤¾"	5,886	5,854	x 1.0	5,854
1"	144	141	x 2.5	353
1½"	54	52	x 5.0	260
2"	180	178	x 8.0	1,424
3"	3	2	x 15.0	30
4"	5	5	x 25.0	125
6"	4	4	x 50.0	200
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	6,280	6,240		8,408
Total Wastewater Connections	6,073	6,033	x 1.0	6,033

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

Gallons pumped into system:	111,006,000	Water Accountability Ratio: 87.5% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	446,719,000	
Gallons purchased:	399,586,000	From: North Harris County Regional Water Authority

See accompanying independent auditor's report.

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

Does the District have Debt Service standby fees? Yes __ No X

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No ____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ____ Partly ____ Not at all X

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely X Partly ____ Not at all ____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ____ No X

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

PROFESSIONAL FEES:		
Auditing	$	30,000
Engineering		283,506
Legal		195,904
Financial Advisor		900
TOTAL PROFESSIONAL FEES	$	510,310
PURCHASED WATER SERVICE	$	2,220,948
CONTRACTED SERVICES:		
Bookkeeping	$	63,841
Operations and Billing		302,332
TOTAL CONTRACTED SERVICES	$	366,173
UTILITIES	$	371,093
REPAIRS AND MAINTENANCE	$	1,054,255
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	36,119
Insurance		57,043
Office Supplies and Postage		105,102
Election		37,669
Travel and Meetings		12,951
Economic Development		446,157
Other		33,959
TOTAL ADMINISTRATIVE EXPENDITURES	$	729,000
CAPITAL OUTLAY	$	1,077,300
TAP CONNECTIONS	$	423,447
SOLID WASTE DISPOSAL	$	1,063,872
SECURITY	$	792,731
OTHER EXPENDITURES:		
Chemicals	$	247,111
Laboratory Fees		338,224
Permit Fees		30,810
Reconnection Fees		53,125
Inspection Fees		16,372
Water Authority Assessments		370,535
Regulatory Assessment		13,038
Sludge Hauling		19,816
TOTAL OTHER EXPENDITURES	$	1,089,031
TOTAL EXPENDITURES	$	9,698,160

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0003	Varies	Daily	$ 8,419,202	$
TexSTAR	XXXX2000	Varies	Daily	5,153,982	
Certificate of Deposit	XXXX0574	2.30%	09/08/19	105,057	755
Certificate of Deposit	XXXX8058	1.30%	02/11/19	246,229	2,833
Certificate of Deposit	XXXX0334	2.75%	11/23/19	240,000	687
Certificate of Deposit	XXXX2919	1.93%	03/21/19	240,000	3,604
Certificate of Deposit	XXXX2369	2.38%	08/09/19	241,910	2,271
Certificate of Deposit	XXXX6232	1.90%	04/30/19	136,186	1,737
Certificate of Deposit	XXXX5320	2.40%	10/25/19	135,818	598
Certificate of Deposit	XXXX3748	2.38%	07/15/19	1,012,781	11,293
TOTAL GENERAL FUND				$ 15,931,165	$ 23,778
DEBT SERVICE FUND					
TexPool	XXXX0002	Varies	Daily	$ 1,591,594	$
Certificate of Deposit	XXXX4223	2.35%	06/26/19	240,000	2,905
Certificate of Deposit	XXXX0402	1.75%	03/22/19	242,412	3,301
Certificate of Deposit	XXXX2938	2.35%	09/04/19	240,000	1,823
Certificate of Deposit	XXXX1501	2.40%	09/03/19	240,000	1,878
Certificate of Deposit	XXXX5483	2.35%	08/15/19	144,940	1,288
Certificate of Deposit	XXXX3577	2.50%	09/20/19	243,676	1,702
Certificate of Deposit	XXXX0407	2.30%	10/17/19	240,000	1,134
TOTAL DEBT SERVICE FUND				$ 3,182,622	$ 14,031
TOTAL - ALL FUNDS				$ 19,113,787	$ 37,809

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JANUARY 1, 2018	$ 2,262,755		$ 3,938,076	
Adjustments to Beginning Balance	(3,052)	$ 2,259,703	(7,530)	$ 3,930,546
Original 2018 Tax Levy	$ 3,072,200		$ 4,915,521	
Adjustment to 2018 Tax Levy	1,023	3,073,223	1,636	4,917,157
TOTAL TO BE ACCOUNTED FOR		$ 5,332,926		$ 8,847,703
TAX COLLECTIONS:				
Prior Years	$ 2,234,524		$ 3,883,468	
Current Year	834,817	3,069,341	1,335,706	5,219,174
TAXES RECEIVABLE - DECEMBER 31, 2018		$ 2,263,585		$ 3,628,529
TAXES RECEIVABLE BY YEAR:				
2018		$ 2,238,406		$ 3,581,451
2017		10,404		18,070
2016		4,910		9,299
2015		3,350		6,700
2014		4,124		8,226
2013		1,276		2,553
2012		630		1,260
2011		296		591
2010 and Prior		189		379
TOTAL		$ 2,263,585		$ 3,628,529

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	$ 400,728,354	$ 382,593,832	$ 349,046,290	$ 309,207,760
Improvements	1,210,445,751	1,140,352,607	1,094,020,648	961,534,336
Personal Property	72,626,822	55,547,524	65,610,529	58,799,797
Exemptions	(148,224,887)	(140,770,177)	(129,654,703)	(114,285,467)
TOTAL PROPERTY VALUATIONS	$ 1,535,576,040	$ 1,437,723,786	$ 1,379,022,764	$ 1,215,256,426
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.32	$ 0.33	$ 0.36	$ 0.40
Maintenance	0.20	0.19	0.19	0.20
TOTAL TAX RATES PER $100 VALUATION	$ 0.52	$ 0.52	$ 0.55	$ 0.60
ADJUSTED TAX LEVY*	$ 7,990,380	$ 7,479,228	$ 7,566,832	$ 7,293,872
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	27.16 %	99.62 %	99.81 %	99.86 %

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

Maintenance Tax – Maximum tax rate of $0.25 per $100 of assessed valuation approved by voters on August 14, 1976.

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES - 2008		
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2019	$ 515,000	$ 48,232	$ 563,232
2020	545,000	22,482	567,482
2021			
2022			
2023			
2024			
2025			
2026			
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	$ 1,060,000	$ 70,714	$ 1,130,714

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES-2009-A		
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2019	$ 260,000	$ 30,800	$ 290,800
2020	300,000	16,500	316,500
2021			
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	$ 560,000	$ 47,300	$ 607,300

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 0 9 - B		
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2019	$ 200,000	$ 706,866	$ 906,866
2020	250,000	696,366	946,366
2021	300,000	683,241	983,241
2022	325,000	671,242	996,242
2023	375,000	658,241	1,033,241
2024	400,000	643,241	1,043,241
2025	425,000	626,642	1,051,642
2026	445,000	608,579	1,053,579
2027	475,000	589,221	1,064,221
2028	570,000	568,440	1,138,440
2029	1,060,000	542,790	1,602,790
2030	1,150,000	493,500	1,643,500
2031	1,175,000	438,875	1,613,875
2032	1,150,000	383,063	1,533,063
2033	1,125,000	328,438	1,453,438
2034	1,600,000	275,000	1,875,000
2035	1,550,000	195,000	1,745,000
2036	2,350,000	117,500	2,467,500
2037			
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	$ 14,925,000	$ 9,226,245	$ 24,151,245

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES-2010 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2019	$ 480,000	$ 47,400	$ 527,400
2020	705,000	28,200	733,200
2021			
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2023			
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	$ 1,185,000	$ 75,600	$ 1,260,600

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES - 2011		
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total
2019	$ 100,000	$ 289,850	$ 389,850
2020	100,000	286,850	386,850
2021	100,000	283,850	383,850
2022	150,000	280,600	430,600
2023	150,000	273,100	423,100
2024	150,000	265,600	415,600
2025	150,000	258,100	408,100
2026	150,000	250,600	400,600
2027	200,000	243,100	443,100
2028	200,000	233,100	433,100
2029	200,000	225,100	425,100
2030	250,000	216,850	466,850
2031	300,000	206,225	506,225
2032	300,000	193,100	493,100
2033	350,000	179,600	529,600
2034	400,000	163,150	563,150
2035	400,000	144,350	544,350
2036	650,000	125,550	775,550
2037	1,000,000	95,000	1,095,000
2038	1,000,000	47,500	1,047,500
2039			
2040			
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	$ 6,300,000	$ 4,261,175	$ 10,561,175

See accompanying independent auditor’s report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES-2012 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	$ 500,000	$ 163,475	$ 663,475
2020	160,000	154,825	314,825
2021	505,000	144,849	649,849
2022	495,000	128,613	623,613
2023	490,000	111,375	601,375
2024	485,000	93,100	578,100
2025	480,000	73,800	553,800
2026	475,000	54,700	529,700
2027	520,000	34,800	554,800
2028	610,000	12,200	622,200
2029			
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	$ 4,720,000	$ 971,737	$ 5,691,737

See accompanying independent auditor’s report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 1 4		
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	$ 95,000	$ 133,588	$ 228,588
2020	100,000	131,637	231,637
2021	105,000	129,325	234,325
2022	110,000	126,637	236,637
2023	115,000	123,537	238,537
2024	120,000	120,012	240,012
2025	125,000	116,337	241,337
2026	130,000	112,512	242,512
2027	135,000	108,453	243,453
2028	145,000	104,078	249,078
2029	150,000	99,281	249,281
2030	160,000	94,050	254,050
2031	165,000	88,463	253,463
2032	175,000	82,513	257,513
2033	185,000	76,097	261,097
2034	195,000	69,210	264,210
2035	205,000	61,703	266,703
2036	215,000	53,566	268,566
2037	225,000	44,900	269,900
2038	235,000	35,700	270,700
2039	245,000	26,100	271,100
2040	260,000	16,000	276,000
2041	270,000	5,400	275,400
2042			
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2047			
	$ 3,865,000	$ 1,959,099	$ 5,824,099

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 1 5		
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	$	$ 205,550	$ 205,550
2020		205,550	205,550
2021	200,000	201,550	401,550
2022	225,000	193,050	418,050
2023	225,000	186,159	411,159
2024	225,000	181,237	406,237
2025	225,000	176,034	401,034
2026	250,000	170,238	420,238
2027	250,000	163,675	413,675
2028	250,000	156,488	406,488
2029	275,000	148,612	423,612
2030	275,000	140,363	415,363
2031	300,000	131,550	431,550
2032	300,000	122,176	422,176
2033	325,000	112,206	437,206
2034	325,000	101,644	426,644
2035	350,000	90,456	440,456
2036	350,000	78,644	428,644
2037	375,000	66,409	441,409
2038	400,000	53,082	453,082
2039	400,000	39,081	439,081
2040	425,000	24,378	449,378
2041	460,000	8,337	468,337
2042			
2043			
2044			
2045			
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2047			
	$ 6,410,000	$ 2,956,469	$ 9,366,469

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	SERIES-2016 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	$ 625,000	$ 940,613	$ 1,565,613
2020	650,000	921,363	1,571,363
2021	1,600,000	876,363	2,476,363
2022	1,690,000	810,562	2,500,562
2023	1,790,000	758,862	2,548,862
2024	1,875,000	722,212	2,597,212
2025	1,955,000	683,912	2,638,912
2026	2,040,000	641,412	2,681,412
2027	2,120,000	591,962	2,711,962
2028	2,195,000	538,025	2,733,025
2029	2,330,000	481,463	2,811,463
2030	2,425,000	418,994	2,843,994
2031	2,520,000	351,000	2,871,000
2032	2,595,000	277,425	2,872,425
2033	2,670,000	198,450	2,868,450
2034	2,085,000	127,125	2,212,125
2035	2,160,000	63,450	2,223,450
2036	1,035,000	15,525	1,050,525
2037			
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	$ 34,360,000	$ 9,418,718	$ 43,778,718

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	S E R I E S - 2 0 1 8		
Due During Fiscal Years Ending December 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	$	$ 260,528	$ 260,528
2020		282,500	282,500
2021		282,500	282,500
2022		282,500	282,500
2023	175,000	279,875	454,875
2024	175,000	274,625	449,625
2025	200,000	269,000	469,000
2026	200,000	263,000	463,000
2027	200,000	257,000	457,000
2028	225,000	250,344	475,344
2029	225,000	242,750	467,750
2030	225,000	234,594	459,594
2031	250,000	225,687	475,687
2032	250,000	216,000	466,000
2033	250,000	206,000	456,000
2034	275,000	195,500	470,500
2035	275,000	184,500	459,500
2036	300,000	173,000	473,000
2037	300,000	161,000	461,000
2038	325,000	148,500	473,500
2039	325,000	135,500	460,500
2040	350,000	122,000	472,000
2041	350,000	108,000	458,000
2042	400,000	93,000	493,000
2043	400,000	77,000	477,000
2044	400,000	61,000	461,000
2045	425,000	44,500	469,500
2046	450,000	27,000	477,000
2047	450,000	9,000	459,000
	$ 7,400,000	$ 5,366,403	$ 12,766,403

See accompanying independent auditor's report.

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BRIDGESTONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	$ 2,775,000	$ 2,826,902	$ 5,601,902
2020	2,810,000	2,746,273	5,556,273
2021	2,810,000	2,601,678	5,411,678
2022	2,995,000	2,493,204	5,488,204
2023	3,320,000	2,391,149	5,711,149
2024	3,430,000	2,300,027	5,730,027
2025	3,560,000	2,203,825	5,763,825
2026	3,690,000	2,101,041	5,791,041
2027	3,900,000	1,988,211	5,888,211
2028	4,195,000	1,862,675	6,057,675
2029	4,240,000	1,739,996	5,979,996
2030	4,485,000	1,598,351	6,083,351
2031	4,710,000	1,441,800	6,151,800
2032	4,770,000	1,274,277	6,044,277
2033	4,905,000	1,100,791	6,005,791
2034	4,880,000	931,629	5,811,629
2035	4,940,000	739,459	5,679,459
2036	4,900,000	563,785	5,463,785
2037	1,900,000	367,309	2,267,309
2038	1,960,000	284,782	2,244,782
2039	970,000	200,681	1,170,681
2040	1,035,000	162,378	1,197,378
2041	1,080,000	121,737	1,201,737
2042	400,000	93,000	493,000
2043	400,000	77,000	477,000
2044	400,000	61,000	461,000
2045	425,000	44,500	469,500
2046	450,000	27,000	477,000
2047	450,000	9,000	459,000
	$ 80,785,000	$ 34,353,460	$ 115,138,460

See accompanying independent auditor’s report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2007	$ 8,100,000	$ 255,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	17,015,000	1,545,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009-A	12,545,000	810,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009-B	15,800,000	15,125,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2010	4,360,000	1,650,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	6,470,000	6,375,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	7,340,000	5,215,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	4,040,000	3,955,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	6,410,000	6,410,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	December 31, 2018	Paying Agent
$	$ 255,000	$ 5,259	$ - 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	485,000	72,482	1,060,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	250,000	44,550	560,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	200,000	717,866	14,925,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	465,000	66,000	1,185,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	75,000	292,100	6,300,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	495,000	175,913	4,720,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	90,000	135,437	3,865,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		205,550	6,410,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2016	$ 35,055,000	$ 34,710,000
Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	7,400,000	
TOTAL	$ 124,535,000	$ 76,050,000

For interest rates, interest payment dates and maturity dates, see Note 3.

Bond Authority:	Unlimited Tax and Revenue Bonds*
Amount Authorized by Voters	$ 115,412,000
Amount Issued	109,703,332
Remaining to be Issued	$ 5,708,668

Debt Service Fund cash and investment balances as of December 31, 2018:	$ 4,105,239
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,970,292

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes. Refunding bonds authorization is included in this total.

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds	
Bonds Sold	Principal	Interest	Outstanding December 31, 2018	Paying Agent
$	$ 350,000	$ 950,362	$ 34,360,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
7,400,000			7,400,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 7,400,000	$ 2,665,000	$ 2,665,519	$ 80,785,000	

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 2,739,462	$ 2,600,801	$ 2,494,947
Water Service	1,462,109	1,485,176	1,428,028
Wastewater Service	1,287,593	1,270,797	1,233,552
Solid Waste Disposal	1,067,580	1,038,484	1,017,705
Water Authority Fees	2,294,804	2,045,655	1,740,622
Penalty and Interest	100,750	83,715	85,749
Tap Connection and Inspection Fees	1,110,090	674,531	389,341
Water Authority Credits	256,966	256,966	256,966
Sales Tax Revenues	1,278,493	1,090,368	1,054,955
Miscellaneous Revenues	346,636	198,302	127,996
TOTAL REVENUES	$ 11,944,483	$ 10,744,795	$ 9,829,861
EXPENDITURES			
Professional Fees	$ 510,310	$ 507,651	$ 425,963
Contracted Services	2,222,776	2,146,134	2,102,062
Purchased Water Service	2,220,948	1,899,807	1,718,606
Utilities	371,093	316,188	306,410
Water Authority Assessments	370,535	446,542	259,358
Repairs and Maintenance	1,054,255	1,113,633	1,251,920
Other	1,870,943	1,164,987	1,026,291
Capital Outlay	1,077,300	3,074,325	2,164,422
TOTAL EXPENDITURES	$ 9,698,160	$ 10,669,267	$ 9,255,032
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 2,246,323	$ 75,528	$ 574,829
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	$ 649,989	$	$
Capital Recovery Fees and Contributions	2,182,445	596,925	375,468
TOTAL OTHER FINANCING SOURCES (USES)	$ 2,832,434	$ 596,925	$ 375,468
NET CHANGE IN FUND BALANCE	$ 5,078,757	$ 672,453	$ 950,297
BEGINNING FUND BALANCE	13,720,286	13,047,833	12,097,536
ENDING FUND BALANCE	$ 18,799,043	$ 13,720,286	$ 13,047,833

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
$ 2,505,277	$ 2,253,269	23.0 %	24.3 %	25.4 %	26.6 %	24.8 %
1,364,497	1,267,962	12.2	13.8	14.5	14.5	13.9
1,184,558	1,114,557	10.8	11.8	12.5	12.6	12.3
993,705	962,997	8.9	9.7	10.4	10.6	10.6
1,542,157	1,438,151	19.2	19.0	17.7	16.4	15.8
82,554	81,814	0.8	0.8	0.9	0.9	0.9
305,213	674,533	9.3	6.3	4.0	3.2	7.4
256,966	256,966	2.2	2.4	2.6	2.7	2.8
958,547	904,680	10.7	10.1	10.7	10.2	9.9
213,620	143,116	2.9	1.8	1.3	2.3	1.6
$ 9,407,094	$ 9,098,045	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 354,372	$ 335,455	4.3 %	4.7 %	4.3 %	3.8 %	3.7 %
2,018,123	1,775,544	18.6	20.0	21.4	21.5	19.5
1,389,194	1,261,503	18.6	17.7	17.5	14.8	13.9
313,967	287,561	3.1	2.9	3.1	3.3	3.2
246,212	259,816	3.1	4.2	2.6	2.6	2.9
1,798,150	952,894	8.8	10.4	12.7	19.1	10.5
1,167,493	1,098,768	15.7	10.8	10.4	12.4	12.1
3,696,125	1,326,042	9.0	28.6	22.0	39.3	14.6
$ 10,983,636	$ 7,297,583	81.2 %	99.3 %	94.0 %	116.8 %	80.4 %
$ (1,576,542)	$ 1,800,462	18.8 %	0.7 %	6.0 %	(16.8) %	19.6 %
$ 6,037	$ 42,298					
256,744						
$ 262,781	$ 42,298					
$ (1,313,761)	$ 1,842,760					
13,411,297	11,568,537					
$ 12,097,536	$ 13,411,297					

See accompanying independent auditor’s report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 4,760,466	$ 4,928,234	$ 4,976,292
Penalty and Interest	64,563	67,051	85,941
Miscellaneous Revenues	87,665	50,644	43,586
TOTAL REVENUES	$ 4,912,694	$ 5,045,929	$ 5,105,819
EXPENDITURES			
Tax Collection Expenditures	$ 184,758	$ 176,679	$ 184,888
Debt Service Principal	2,665,000	2,500,000	1,930,000
Debt Service Interest and Fees	2,672,019	2,768,966	3,109,566
Bond Issuance Costs			1,061,821
Payment to Refunding Escrow Agent			108,000
TOTAL EXPENDITURES	$ 5,521,777	$ 5,445,645	$ 6,394,275
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (609,083)	$ (399,716)	$ (1,288,456)
OTHER FINANCING SOURCES (USES)			
Transfer to Refunding Escrow Agent	$	$	$ (33,913,031)
Proceeds from Issuance of Long-Term Debt			35,055,000
Bond Discount			(76,798)
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ 1,065,171
NET CHANGE IN FUND BALANCE	$ (609,083)	$ (399,716)	$ (223,285)
BEGINNING FUND BALANCE	3,046,177	3,445,893	3,669,178
ENDING FUND BALANCE	$ 2,437,094	$ 3,046,177	$ 3,445,893
TOTAL ACTIVE RETAIL WATER CONNECTIONS	6,240	6,204	6,184
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	6,033	6,015	5,991

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
$ 5,010,553	$ 4,506,642	96.9 %	97.7 %	97.4 %	98.3 %	98.5 %
67,569	49,222	1.3	1.3	1.7	1.3	1.1
19,903	17,806	1.8	1.0	0.9	0.4	0.4
$ 5,098,025	$ 4,573,670	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 177,730	$ 165,420	3.8 %	3.5 %	3.6 %	3.5 %	3.6 %
1,740,000	1,610,000	54.2	49.5	37.8	34.1	35.2
3,273,791	3,261,770	54.4	54.9	60.9	64.2	71.3
				20.8		
				2.1		
$ 5,191,521	$ 5,037,190	112.4 %	107.9 %	125.2 %	101.8 %	110.1 %
$ (93,496)	$ (463,520)	(12.4) %	(7.9) %	(25.2) %	(1.8) %	(10.1) %
$	$					
	46,012					
$ - 0 -	$ 46,012					
$ (93,496)	$ (417,508)					
3,762,674	4,180,182					
$ 3,669,178	$ 3,762,674					
6,150	6,022					
5,972	5,869					

See accompanying independent auditor’s report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

District Mailing Address - Bridgestone Municipal Utility District
c/o Radcliffe Bobbitt Adams Polley PLLC
2929 Allen Parkway, Suite 3450
Houston, TX 77019

District Telephone Number - (713) 237-1221

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2018	Expense Reimbursements for the year ended December 31, 2018	Title
Jim Marks	05/16 05/20 (Elected)	$ 5,550	$ -0-	President
Mickey Draper	05/16 05/20 (Elected)	$ 7,200	$ 3,282	Vice President
Skip Warren	05/18 05/22 (Elected)	$ 6,150	$ 3,588	Secretary
Ron W. Schkade	05/16 05/20 (Elected)	$ 6,000	$ 2,259	Assistant Secretary
Michael Crayton	05/18 05/22 (Elected)	$ 4,650	$ 1,130	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 17, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on July 14, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year. One director was overpaid due to an accounting error. The director will forego fees in the next year to repay the overpaid amount.

See accompanying independent auditor's report.

BRIDGESTONE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

Consultants:	Date Hired	Fees for the year ended December 31, 2018	Title
Radcliffe Bobbitt Adams Polley PLLC	05/14/01	$ 195,904	General Counsel
		$ 134,750	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	01/11/99	$ 25,000	Auditor
		$ 5,000	AUP Related
Myrtle Cruz, Inc.	11/16/78	$ 76,776	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	07/01/96	$ 24,360	Delinquent Tax Attorney
Jones & Carter, Inc.	04/01/93	$ 943,215	Engineer
The GMS Group, LLC	10/02/12	$ 112,965	Financial Advisor
Mary Jarmon	05/15/07	$ -0-	Investment Officer
Water District Management Company, Inc.	05/05/09	$ 1,373,811	Operator
Kenneth Byrd, RTA	07/28/77	$ 91,945	Tax Assessor/ Collector
Harris County	01/01/04	$ 792,731	Law Enforcement

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

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

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

August 14, 2019

Ladies and Gentlemen:

WE HAVE ACTED as Bond Counsel in connection with the issuance by Bridgestone Municipal Utility District (the "Issuer") of its bonds styled "Bridgestone Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019" (the "Bonds"). The Bonds, dated August 1, 2019 (the "Issue Date"), are issued in the aggregate principal amount of $5,670,000, and mature serially on May 1st in the years 2024 through 2048. The Bonds are subject to the right of the Issuer to redeem all or any part of the Bonds maturing on or after May 1, 2025 prior to their scheduled maturities, in whole or from time to time in part on May 1, 2024, or any date thereafter, for the par value thereof, plus accrued and unpaid interest to the date of redemption.

THE BONDS BEAR INTEREST from the Issue Date, with such interest being payable on May 1, 2020, and semi-annually thereafter on November 1st and May 1st of each year until maturity or redemption at the following interest rates for the respective maturity dates of the Bonds:

Year of Stated Maturity	**Principal Amount**	**Interest Rate**
2024	$125,000	%
2025	$125,000	%
2026	$150,000	%
2027	$150,000	%
2028	$150,000	%
2029	$175,000	%
2030	$175,000	%
2031	$175,000	%
2032	$175,000	%
2033	$200,000	%
2034	$200,000	%
2035	$200,000	%
2036	$225,000	%
2037	$225,000	%
2038	$225,000	%
2039	$250,000	%
2040	$250,000	%
2041	$275,000	%
2042	$275,000	%

2043	$300,000	%
2044	$300,000	%
2045	$300,000	%
2046	$325,000	%
2047	$350,000	%
2048	$370,000	%

WE HAVE EXAMINED a transcript of original and certified proceedings of the Board of Directors of the Issuer, including, without limitation, the Bond Order and customary certificates of officers, agents and representatives of the Issuer, other certificates related to the authorization and issuance of the Bonds, and the expected use and investment of proceeds of the Bonds and certain other facts within the knowledge and control of the Issuer. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We have also examined the Initial Bond No. IB-1 of said series and find same to be in due form and properly executed.

WE HAVE ALSO REVIEWED (i) the Preliminary Official Statement of the Issuer dated June 21, 2019 (the "Preliminary Official Statement"), (ii) the Official Statement of the Issuer dated __________, 2019 (the "Official Statement"), and (iii) Letters of Representation provided to the Issuer by certain of its consultants (the "Letters of Representation"). Based on (1) our review of the documents described above, (2) our discussions with representatives and consultants of the Issuer, and (3) such other matters as we deem relevant, we are of the opinion that the offering and sale of the Bonds are not required to be registered under the Securities Act of 1933, as amended; and the Bond Order is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In addition, based upon our limited review of the Preliminary Official Statement and the Official Statement, which does not include our independent inquiry or investigation into the accuracy, completeness or fairness of the statements contained therein, and in reliance upon the accuracy of the representations contained in the Letters of Representation, nothing has come to our attention to lead us to believe that the Preliminary Official Statement or the Official Statement (except for financial, forecast, technical and statistical statements and data therein, the information regarding The Depository Trust Company and its book-entry system, and the information regarding ____________________, in each case as to which we are not called upon to comment), as of their dates or as of the date hereof, contained or contains any untrue statement of a material fact, or omitted or omits to state any material facts required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

WE ARE OF THE OPINION, based on the foregoing, that the proceedings authorizing the issuance of the Bonds show lawful authority for such issuance under the Constitution and laws of the State of Texas.

WE ARE OF THE OPINION that the Bonds constitute legal, valid and binding obligations of the Issuer, except to the extent that the enforcement of the rights and remedies of any bondholder may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Issuer, that the Bonds are payable from the levy of a direct annual ad valorem tax, without limitation as to the rate or amount on taxable property within the Issuer, and further payable and secured by certain Net Revenues (as defined in the Bond Order), if any, derived from the ownership and operation of the District's System (as defined in the Bond Order), for the purpose of paying the Bonds and the interest thereon, together with the principal of and interest on the bonds of the Issuer remaining outstanding after the issuance of the Bonds (the "Outstanding Bonds"), as provided by Texas Water Code § 54.503.

Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. The Bond Order provides that the Issuer reserves the right to issue additional bonds, including additional parity bonds, and, when issued and sold, said additional parity bonds will be in all respects on a parity with the Bonds and the Outstanding Bonds.

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

THE OPINIONS SET FORTH ABOVE are based upon existing law and our knowledge of the facts as of the date hereof. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective. In addition, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service. Rather, our opinions represent our legal judgment based on our review of existing law that we deem relevant to such opinions and in reliance upon the representation and covenants referenced above.

Respectfully,