

OFFICIAL STATEMENT DATED JULY 17, 2019

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

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Ratings (AGM): S&P "AA" (stable outlook)
Underlying Rating: S&P "A"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$3,205,000

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
OF HARRIS COUNTY, TEXAS**
(A political subdivision of the State of Texas located within Harris County)

**UNLIMITED TAX REFUNDING BONDS
SERIES 2019A**

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

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

Dated Date: August 1, 2019

Due: November 15, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from August 1, 2019, and is payable each November 15 and May 15, commencing November 15, 2019, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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

MATURITY SCHEDULE

Due (Nov. 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (Nov. 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2020	\$ 25,000	3.000 %	1.650 %	163222 GB2	2026	\$ 350,000 (a)	2.000 %	2.100 %	163222 GH9
2021	300,000	3.000	1.670	163222 GC0	2027	345,000 (a)	2.000	2.200	163222 GJ5
2022	310,000	3.000	1.690	163222 GD8	2028	295,000 (a)	2.000	2.310	163222 GK2
2023	325,000	3.000	1.750	163222 GE6	2029	290,000 (a)	2.000	2.400	163222 GL0
2024	340,000	3.000	1.840	163222 GF3	2030	285,000 (a)	2.375	2.710	163222 GM8
2025	340,000	3.000	1.940	163222 GG1					

- (a) Bonds maturing on or after November 15, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on November 15, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about August 20, 2019.

SAMCO CAPITAL

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$3,218,092.41 (representing the par amount of the Bonds of \$3,205,000.00, plus a net premium on the Bonds of \$44,251.60, less an Underwriter’s discount of \$31,159.19) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

SEVERE WEATHER

General...

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

*Impact of Hurricane Harvey
on the District...*

According to Van DeWiele & Vogler, Inc. (the “Engineer”), the District's System (as defined herein) did not sustain any material damage, there was no interruption of water and sewer service, and no homes, commercial improvements or multi-family improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. See “INVESTMENT CONSIDERATIONS—Severe Weather.”

THE DISTRICT

The Issuer...

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

Description...

The District was created by the Texas Water Rights Commission (now the Texas Commission on Environmental Quality (the “Commission”)) on November 25, 1975, and the District contains approximately 438 acres of land located in southwest Harris County just west of State Highway 6 (SH6) approximately 22 miles west of the central business district of the City of Houston, Texas. Bellaire Boulevard and Alief-Clodine Road form the southern and northern boundaries of the District, respectively, and the District is bisected north and south by Addicks-Clodine Road. The District lies entirely within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT—General” and “AERIAL PHOTOGRAPH” herein.

Status of Development... Development of land in the District began in 1976. The District serves a portion of the Mission Bend development. The District has been developed primarily as single-family residential subdivisions and provides water, sanitary sewer, and drainage facilities to serve Mission Bend, Sections 1, 2, 3, 10, 11, and 12 and Mission Bend Los Patios (comprised of approximately 292 acres developed into 1,229 single family residential lots). The 2018 average homestead value in the District is \$154,170. As of June 8, 2019, the District contained 1,228 completed single family residential homes, of which 1,205 were occupied and 23 were unoccupied.

The District also contains approximately 45 commercial and multifamily acres provided with water, sanitary sewer, and drainage facilities. Improvements constructed on such acreage include three small strip centers containing a total of approximately 26 retail and service establishments, four freestanding businesses and one apartment project containing 312 units. A charter school was constructed in 2016 on approximately 15 acres of land in the District. The District also contains a 39-acre site owned by Alief Independent School District, on which an elementary school and a middle school have been constructed, and a 13-acre site on which a church has been constructed. Land and facilities owned by the charter school, school district and church are not subject to taxation by the District. Approximately 49 acres of land in the District are drainage easements. All of the land within the District is served with water, sanitary sewer, and drainage facilities. See “THE DISTRICT—Status of Development.”

Payment Record... The District has previously issued four series of combination unlimited tax and revenue bonds, one series of combination unlimited tax and revenue refunding bonds and three series of unlimited tax bonds, of which a total of \$7,435,000 collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on its debt service obligations. See “FINANCIAL STATEMENT—Outstanding Bonds.”

THE BONDS

The Issue... The District’s \$3,205,000 Unlimited Tax Refunding Bonds, Series 2019A (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on November 15 in each of the years 2020 through 2030, both inclusive, in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from August 1, 2019, and is payable November 15, 2019, and each May 15 and November 15 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”

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

Redemption... Bonds maturing on or after November 15, 2026 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on November 15, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund \$3,100,000 of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." See "PLAN OF FINANCING—Refunded Bonds." After the issuance of the Bonds, \$4,335,000 principal amount of the Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "FINANCIAL STATEMENT—Outstanding Bonds."
<i>Source of Payment...</i>	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "TAX PROCEDURES." The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency other than the District. See "THE BONDS—Source of Payment."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). S&P has also assigned an underlying rating of "A" to the Bonds. An explanation of their ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Underwriter's Counsel...</i>	McCall, Parkhurst & Horton, L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds."
<i>Verification Agent...</i>	Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2018 Certified Taxable Assessed Valuation.....	\$212,942,395	(a)
2019 Preliminary Taxable Assessed Valuation.....	\$237,899,950	(b)
Gross Direct Debt Outstanding (After the Issuance of the Bonds).....	\$7,540,000	
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	3.54%	
2019 Preliminary Taxable Assessed Valuation.....	3.17%	
2018 Tax Rate:		
Debt Service.....	\$0.24	
Maintenance and Operations.....	<u>0.25</u>	
Total.....	\$0.49/\$100 A.V.	
Average percentage of total tax collections (2014-2018).....	98.75%	
Average Annual Debt Service Requirement (2020-2037).....	\$505,586	
Maximum Annual Debt Service Requirement (2024).....	\$592,894	
Tax Rates Required to Pay Average Annual Debt Service (2020-2037) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation.....	\$0.25/\$100 A.V.	
Based upon 2019 Preliminary Taxable Assessed Valuation	\$0.23/\$100 A.V.	
Tax Rates Required to Pay Maximum Annual Debt Service (2024) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation.....	\$0.30/\$100 A.V.	
Based upon 2019 Preliminary Taxable Assessed Valuation	\$0.27/\$100 A.V.	
Water Connections as of June 8, 2019:		
Single-family-Completed and Occupied.....	1,205	
Single-family-Completed and Unoccupied.....	23	
Multi-family (312 total apartment units).....	1	
Commercial.....	30	
Other	7	
Estimated Population.....	4,841	(c)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2019 taxable value (as of January 1, 2019). Such amount is subject to protest by property owners, review by the Appraisal District and downward adjustment prior to certification by the Appraisal District in 2019. No tax will be levied on such amount until it is certified in the fall of 2019. See "TAX PROCEDURES."
- (c) Based upon 3.5 persons per occupied single-family home and 2 persons per apartment unit.

OFFICIAL STATEMENT

CHELFORD ONE MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY, TEXAS

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

\$3,205,000

UNLIMITED TAX REFUNDING BONDS SERIES 2019A

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Chelford One Municipal Utility District of Harris County, Texas (the “District”) of its \$3,205,000 Unlimited Tax Refunding Bonds, Series 2019A (the “Bonds”).

The Bonds are issued by the District pursuant to the terms and conditions of a resolution adopted by the Board of Directors (the “Board”) of the District (the “Bond Resolution”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of Texas Government Code, City of Houston Ordinance 97-416, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

PLAN OF FINANCING

Purpose

At a bond election held within the District on May 12, 2007, voters of the District authorized the issuance of \$28,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and/or refunding bonds. The District currently has \$7,435,000 principal amount of unlimited tax bonds outstanding (the “Outstanding Bonds”).

The proceeds from the sale of the Bonds, together with available debt service funds will be used to currently refund \$3,100,000 of the Outstanding Bonds (the “Refunded Bonds”) in order to achieve a net savings in the District’s annual debt service requirements. See “DEBT SERVICE REQUIREMENTS.” The Refunded Bonds are described in more detail herein under “Refunded Bonds.” A total of \$4,335,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds and the discharge of the Refunded Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL STATEMENT—Outstanding Bonds.”

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds will be used to currently refund a total of \$3,100,000 principal amount of the Series 2007 and Series 2010 Bonds. The principal amounts and maturity dates of the Refunded Bonds are set forth below:

<u>Maturity Date</u>	<u>Series 2007</u>	<u>Series 2010</u>
2021	\$ 70,000 (a)	\$ 210,000
2022	70,000 (a)	220,000
2023	75,000 (a)	230,000
2024	80,000 (a)	240,000
2025	85,000 (b)	240,000
2026	90,000 (b)	250,000
2027	90,000 (b)	250,000
2028	-	300,000
2029	-	300,000
2030	-	300,000
	<u>\$ 560,000</u>	<u>\$ 2,540,000</u>
Redemption Date:	August 26, 2019	November 15, 2019

- (a) Represents term bonds in the total principal amount of \$295,000, scheduled to mature on November 15, 2024.
 (b) Represents term bonds in the total principal amount of \$265,000, scheduled to mature on November 15, 2027.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, together with lawfully available debt service funds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$3,205,000.00
Plus: Net Premium on the Bonds.....	44,251.60
Transfer from Debt Service Fund.....	<u>43,000.00</u>
Total Sources of Funds	\$3,292,251.60
Uses of Funds:	
Deposit to Escrow Agent.....	\$3,148,719.05
Issuance Expenses and Underwriter's Discount (a)	<u>143,532.55</u>
Total Uses of Funds	\$3,295,251.60

- (a) Includes municipal bond insurance premium.

Escrow Agreement and Defeasance of Refunded Bonds

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

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other available funds of the District the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase United States Treasury Obligations or other investments authorized by Chapter 1207, Texas Government Code (the “Escrowed Securities”). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

THE BONDS

Description

The Bonds will be dated and accrue interest from August 1, 2019, with interest payable each November 15 and May 15, beginning November 15, 2019 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company NA, Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of record (the “Registered Owner”) as of the close of business on May 1 or November 1 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source of Payment

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

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

Funds

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

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

No Arbitrage

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after November 15, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on November 15, 2025, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

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

Authority for Issuance

At a bond election held within the District on May 12, 2007, voters of the District authorized the issuance of \$28,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and/or refunding bonds. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, City of Houston Ordinance 97-416, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$20,915,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and/or for the purpose of refunding District bonds issued for such purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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 Commission; 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 District has not considered authorizing preparation of a park plan or calling a park bond election at this time.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional debt could dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, Texas ("Houston" or the "City") the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership Agreement," below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

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

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (the "SPA") with the City, effective December 20, 2007, pursuant to Chapter 43, Texas Local Government Code. The SPA provides for a "limited purpose annexation" of portions of the District developed for retail and commercial purposes. Residential development within the District is not included in the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA.

Under the SPA, the City is authorized to impose the one percent (1%) City retail sales tax within the portion of the District included in the limited purpose annexation. The SPA also provides that the City will pay to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Comptroller (herein defined as the "Contract Sales Tax Revenue"). However, because the portion of the District included in the limited purpose annexation is overlapped by an emergency services district that already collects the one percent sales and use tax that would otherwise be available to the City, the District has not received any Contract Sales Tax Revenue and does not expect to ever receive any Contract Sales Tax Revenue under the SPA.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedure” of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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 (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

THE DISTRICT

General

Chelford One Municipal Utility District of Harris County, Texas is a municipal utility district created by order of the Texas Water Rights Commission (now known as the Texas Commission on Environmental Quality), dated November 25, 1975, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the extraterritorial jurisdiction of the City.

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

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

The District presently contains approximately 438 acres of land. The District is located in southwest Harris County just west of State Highway 6 (SH6) approximately 22 miles west of the central business district of the City. Bellaire Boulevard and Alief-Clodine Road form the southern and northern boundaries of the District, respectively, and the District is bisected north to south by Addicks-Clodine Road.

Status of Development

Development of land in the District began in 1976. The District serves a portion of the Mission Bend development. The District has been developed primarily as single-family residential subdivisions and provides water, sanitary sewer, and drainage facilities to serve Mission Bend, Sections 1, 2, 3, 10, 11, and 12 and Mission Bend Los Patios (comprised of approximately 305 acres developed into 1,229 single family residential lots). The 2018 average homestead value in the District is \$154,170. As of June 8, 2019, the District contained 1,228 completed single family residential homes, of which 1,205 were occupied and 23 were unoccupied.

The District also contains approximately 49 commercial and multifamily acres provided with water, sanitary sewer, and drainage facilities. Improvements constructed on such acreage include three small strip centers containing a total of approximately 26 retail and service establishments, four freestanding businesses and one apartment project containing 312 units. A charter school was constructed in 2016 on approximately 15 acres of land in the District. The District also contains a 39-acre site owned by Alief Independent School District, on which an elementary school and a middle school have been constructed, and a 13-acre site on which a church has been constructed. Land and facilities owned by the charter school, school district and church are not subject to taxation by the District. Approximately 49 acres of land in the District are drainage easements. All of the land in the District is served with water, sanitary sewer, and drainage facilities and no additional development is currently taking place within the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael A. Martin	President	May 2020
Nicholas H. Alwine	Vice President	May 2020
Winetta Billings	Secretary	May 2022
Edward D. Quin	Assistant Vice President	May 2020
Eston G. Hupp	Assistant Secretary	May 2022

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's audited financial statements for the fiscal year ending September 30, 2018 have been prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District's September 30, 2018 audited financial statements.

Operator: The District contracts with Si Environmental, LLC for maintenance and operation of the District's system.

Engineer: The consulting engineer for the District in connection with the design and construction of the District's facilities is Van DeWiele & Vogler, Inc. (the “Engineer”).

Tax Assessor/Collector: Land and improvements within the District are appraised for ad valorem taxation purposes by Harris County Appraisal District. The District contracts with Bob Leared Interests to serve as Tax Assessor/Collector.

Bookkeeper: The District has engaged Municipal Accounts & Consulting, L.P, to serve as the District's bookkeeper.

THE SYSTEM

Regulation

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

Water, Sanitary Sewer and Drainage Facilities

Source of Water Supply: The District is presently served by five water plants and six water wells through the Mission Bend Integrated Water System (the "Integrated Water System"). The District's Water Plant No. 1 includes a 1,090 gallon per minute ("gpm") well, 880,000 gallons of ground storage tank capacity, a 35,000-gallon pressure tank and booster pump capacity of 3,250 gpm. The Integrated Water System includes the District, Mission Bend Municipal Utility Districts Nos. 1 and 2 and Chelford City Municipal Utility District. According to the District's Engineer, the District's capacity in the Integrated Water System is capable of serving approximately 1,827 equivalent single-family connections. The District currently serves approximately 1,494 equivalent single-family connections. The District also maintains an emergency waterline interconnect with Harris County Municipal Utility District No. 120, which interconnect is normally closed.

Subsidence and Conversion to Surface Water Supply: The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority’s GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$9.00 per 1,000 gallons (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Source of Wastewater Treatment: Permanent wastewater treatment is provided by the Chelford City Regional Wastewater Treatment Plant (the “Regional Plant”), which has a total capacity of 11.0 million gallons per day (“gpd”). The District owns 532,200 gpd capacity in the Regional Plant, which, according to the District’s Engineer, should be sufficient to serve approximately 1,774 equivalent single-family connections. The District currently serves approximately 1,494 equivalent single family connections.

100-Year Flood Plain: “Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system was designed and constructed to standards in effect at the time of construction.

According to the Engineer, approximately 6 acres of existing commercial development and approximately 90 existing residential lots with homes constructed upon them within the District are within the 100-year flood plain as designated by the FIRM for the area, as amended in April 2000. See “INVESTMENT CONSIDERATIONS—Severe Weather.”

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
04/03/1976	Waterworks and Sewer System Combination Tax & Revenue	\$8,000,000	\$8,000,000	\$0
05/12/2007	Water, Sanitary Sewer and Drainage and/or Refunding	\$28,000,000	\$7,085,000*	\$20,915,000

* Includes the Bonds.

FINANCIAL STATEMENT

2018 Certified Taxable Assessed Valuation.....	\$212,942,395	(a)
2019 Preliminary Taxable Assessed Valuation.....	\$237,899,950	(b)
 Gross Direct Debt Outstanding (After the Issuance of the Bonds).....	 \$7,540,000	
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	3.54%	
2019 Preliminary Taxable Assessed Valuation.....	3.17%	

Area of District - 438 acres
Estimated 2019 Population- 4,841 (c)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
 (b) Provided by the Appraisal District as a preliminary indication of the 2019 taxable value (as of January 1, 2019). Such amount is subject to protest by property owners, review by the Appraisal District and downward adjustment prior to certification by the Appraisal District in 2019. No tax will be levied on such amount until it is certified in the fall of 2019. See "TAX PROCEDURES."
 (c) Based upon 3.5 persons per occupied single-family home and 2 persons per apartment unit.

Cash and Investment Balances (unaudited as of July 15, 2019)

Operating Fund	Cash and Temporary Investments	\$3,747,224
Construction Fund	Cash and Temporary Investments	\$2,230,320
Debt Service Fund	Cash and Temporary Investments	\$579,791 (a)

- (a) The District will contribute \$43,000 of available debt service funds towards the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

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

Series	Original Principal Amount	Outstanding Bonds	Less: Refunded Bonds	Remaining Outstanding Bonds
2007	\$ 1,390,000	\$ 685,000	\$ 560,000	\$ 125,000
2010	3,110,000	2,930,000	2,540,000	390,000
2015	1,320,000	1,270,000	-	1,270,000
2019	<u>2,550,000</u>	<u>2,550,000</u>	<u>-</u>	<u>2,550,000</u>
Total	\$ 8,370,000	\$ 7,435,000	\$ 3,100,000	\$ 4,335,000
The Bonds				<u>3,205,000</u>
The Bonds and Remaining Outstanding Bonds				\$ 7,540,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Harris County	\$2,050,758,022	05/31/19	0.04%	\$ 820,303
Harris County Flood Control District	83,075,000	05/31/19	0.04%	33,230
Harris County Hospital District.....	57,300,000	05/31/19	0.04%	22,920
Harris County Department of Education.....	6,320,000	05/31/19	0.04%	2,528
Port of Houston Authority.....	593,754,397	05/31/19	0.04%	237,502
Houston Community College.....	560,480,000	05/31/19	0.10%	560,480
Alief Independent School District.....	284,622,000	05/31/19	1.39%	<u>3,956,246</u>
Total Estimated Overlapping Debt.....				\$ 5,633,209
The District's Total Direct Debt.....				<u>7,540,000</u> (a)
Total Direct and Estimated Overlapping Debt				\$13,173,209
Direct and Estimated Overlapping Debt as a Percentage of:				
2018 Certified Taxable Assessed Valuation of \$212,942,395.....				6.19%
2019 Preliminary Taxable Assessed Valuation of \$237,899,950.....				5.54%

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

Overlapping Taxes for 2018

	<u>2018 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, and the Port of Houston Authority).....	\$ 0.635170
Alief Independent School District.....	1.330000
Houston Community College.....	0.100263
Harris-Fort Bend County Emergency Services District No. 100.....	<u>0.068000</u>
Total Overlapping Tax Rate.....	\$ 2.133433
The District.....	<u>0.490000</u>
Total Tax Rate.....	\$ 2.623433

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2019 (a)	
				Amount	Percent
2014	\$ 154,904,796	\$ 0.565	\$ 875,212	\$ 872,971	99.74%
2015	170,390,671	0.535	911,590	904,956	99.27%
2016	181,199,911	0.515	933,180	924,228	99.04%
2017	201,790,497	0.490	988,774	977,475	98.86%
2018	209,069,082	0.490	1,024,439	991,956	96.83%

(a) Unaudited.

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

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.240	\$ 0.240	\$ 0.265	\$ 0.285	\$ 0.315
Maintenance and Operations	0.250	0.250	0.250	0.250	0.250
Total	\$ 0.490	\$ 0.490	\$ 0.515	\$ 0.535	\$ 0.565

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operations: \$0.25 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2018 tax year, the District levied a debt service tax of \$0.24 per \$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on April 3, 1976, the Board was authorized to levy such a maintenance tax 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 and interest on the District's bonds. For the 2018 tax year, the Board levied a maintenance tax in the amount of \$0.25 per \$100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has not exempted any percentage of the market value of any residential homesteads from taxation. For 2019, the District adopted an exemption of \$10,000 of the appraised value of a residential homestead of persons who are disabled or 65 years of age or older. The District has not granted a general homestead exemption.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of fifteen percent (15%) of the tax to defray the costs of collection. This 15% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on July 1 of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Title 1 of the Texas Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2018 Certified Taxable Assessed Valuation of \$212,942,395. This represents ownership as of January 1, 2018. A principal taxpayer list related to the 2019 Preliminary Taxable Assessed Valuation, of \$237,899,950, which is subject to review and downward adjustment prior to certification, is currently not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018 Certified Taxable Assessed Valuation</u>	<u>% of 2018 Certified Taxable Assessed Valuation</u>
Hawthorne Apartments LLC	Land & Improvements	\$ 18,291,347	8.59%
Anwin Limited Partnership	Land & Improvements	2,576,221	1.21%
Texas Hilcroft Partnership	Land & Improvements	1,400,467	0.66%
Angel Win LLC	Land & Improvements	1,099,699	0.52%
Centerpoint Energy Houston Electric	Personal Property	872,560	0.41%
Centerpoint Energy Entex	Personal Property	495,950	0.23%
Comcast of Houston LLC	Personal Property	435,530	0.20%
CBH Properties Katy LP	Land & Improvements	425,000	0.20%
Southwest Word Faith SDA	Land & Improvements	393,075	0.18%
Individual	Land & Improvements	376,630	0.18%
Total		<u>\$ 26,366,479</u>	<u>12.38%</u>

Summary of Assessed Valuation

The following summary of the 2018, 2017 and 2016 Certified Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2018, 2017 and 2016 tax rolls of the District. A breakdown of the 2019 Preliminary Taxable Assessed Valuation, of \$237,899,950, which is subject to review and downward adjustment prior to certification, is currently not available. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	<u>2018 Certified Taxable Assessed Valuation</u>	<u>2017 Certified Taxable Assessed Valuation</u>	<u>2016 Certified Taxable Assessed Valuation</u>
Land	\$ 48,058,676	\$ 48,058,676	\$ 50,975,908
Improvements	200,681,335	199,253,476	152,683,317
Personal Property	3,276,961	4,005,037	4,040,031
Exemptions	(39,074,577)	(47,240,980)	(26,494,091)
Total	<u>\$ 212,942,395</u>	<u>\$ 204,076,209</u>	<u>\$ 181,205,165</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation, which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2018 Certified Taxable Assessed Valuation of \$212,942,395 or the 2019 Preliminary Taxable Assessed Valuation of \$237,899,950, which is subject to review and downward adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service.

Average Annual Debt Service Requirement (2020-2037)	\$505,586
\$0.25 Tax Rate on the 2018 Certified Taxable Assessed Valuation	\$505,738
\$0.23 Tax Rate on the 2019 Preliminary Taxable Assessed Valuation	\$519,811
 Maximum Annual Debt Service Requirement (2024).....	 \$592,894
\$0.30 Tax Rate on the 2018 Certified Taxable Assessed Valuation	\$606,886
\$0.27 Tax Rate on the 2019 Preliminary Taxable Assessed Valuation	\$610,213

No representation or suggestion is made that the 2019 Preliminary Taxable Assessed Valuation provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAX PROCEDURES.”

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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 within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

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.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of

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

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

Rollback of Operation and Maintenance Tax Rate

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 over the previous year. 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 than 1.08 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 than 1.035 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.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

The Bonds and the Remaining Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years September 30, 2015 through 2018 and from the District's Bookkeeper for the period ended May 31, 2019. Reference is made to such statements and records for further and more complete information.

	10/1/2018 to 5/31/2019 (a)	Fiscal Year Ended September 30			
		2018	2017	2016	2015
Revenues					
Property Taxes	\$ 519,020	\$ 508,343	\$ 446,014	\$ 421,329	\$ 398,240
Water Service	328,223	511,300	501,139	479,472	447,050
Wastewater Service	339,334	512,869	503,690	488,924	445,157
Regional Water Authority Fees	278,501	436,401	379,279	334,000	319,882
Penalty and Interest	28,846	43,006	40,251	44,411	42,878
Tap Connection and Inspection Fees	5,843	42,555	81,092	12,625	39,672
Facilities Fee	-	-	-	304,226	-
Miscellaneous Revenues	44,914	48,421	23,107	21,789	17,627
Total Revenues	\$ 1,544,681	\$ 2,102,895	\$ 1,974,572	\$ 2,106,776	\$ 1,710,506
Expenditures					
Professional Fees	\$ 96,068	\$ 127,109	\$ 117,035	\$ 160,796	\$ 131,994
Contracted Services	178,052	253,703	240,956	228,030	242,106
Purchased Wastewater Services	185,127	246,435	289,740	192,895	255,953
Utilities	25,849	56,945	47,680	48,650	52,222
Regional Water Authority Assessment	248,623	448,018	384,644	329,906	313,573
Repairs and Maintenance	145,907	181,036	183,164	182,473	187,995
Other	119,821	163,218	219,983	173,952	157,088
Capital Outlay	118,716 (b)	-	-	15,312	9,700
Total Expenditures	\$ 1,118,163	\$ 1,476,464	\$ 1,483,202	\$ 1,332,014	\$ 1,350,631
Net Revenues	\$ 426,519	\$ 626,431	\$ 491,370	\$ 774,762	\$ 359,875
Other Sources (Uses)					
Transfers In (Out)	\$ -	\$ -		\$ -	\$ 3,520
Fund Balance (Beginning of Year)	\$ 3,670,734	\$ 3,044,303	\$ 2,552,933	\$ 1,778,171	\$ 1,414,776
Fund Balance (End of Year)	\$ 4,097,253	\$ 3,670,734	\$ 3,044,303	\$ 2,552,933	\$ 1,778,171

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

(b) Primarily consists of emergency water well rehabilitation expenses.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$3,100,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2019	\$ 486,567	\$ 61,009		\$ 23,564	\$ 23,564	\$ 449,122
2020	605,406	122,019	\$ 25,000	81,569	106,569	589,956
2021	608,894	402,019	300,000	80,819	380,819	587,694
2022	606,319	401,694	310,000	71,819	381,819	586,444
2023	608,394	406,019	325,000	62,519	387,519	589,894
2024	609,619	409,494	340,000	52,769	392,769	592,894
2025	599,969	402,094	340,000	42,569	382,569	580,444
2026	600,000	404,375	350,000	32,369	382,369	577,994
2027	589,438	391,063	345,000	25,369	370,369	568,744
2028	583,063	337,125	295,000	18,469	313,469	559,406
2029	566,875	325,125	290,000	12,569	302,569	544,319
2030	549,750	312,750	285,000	6,769	291,769	528,769
2031	527,250	-	-	-	-	527,250
2032	513,500	-	-	-	-	513,500
2033	499,750	-	-	-	-	499,750
2034	485,750	-	-	-	-	485,750
2035	271,750	-	-	-	-	271,750
2036	264,250	-	-	-	-	264,250
2037	231,750	-	-	-	-	231,750
Total	\$ 9,808,292	\$ 3,974,784	\$ 3,205,000	\$ 511,171	\$ 3,716,171	\$ 9,549,678
Average Annual Debt Service Requirements (2020-2037)						\$505,586
Maximum Annual Debt Service Requirements (2024)						\$592,894

INVESTMENT CONSIDERATIONS

General

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

Severe Weather

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, and commercial, retail, and multi-family properties. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential and multi-family dwellings and commercial projects of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center in which such properties are located.

Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Certified Taxable Assessed Valuation of the District is \$212,942,395 and the 2019 Preliminary Taxable Assessed Valuation is \$237,899,950 (see “FINANCIAL STATEMENT”). After issuance of the Bonds, the maximum annual debt service requirement will be \$592,894 (2024) and the average annual debt service requirement will be \$505,586 (2020-2037) (see “DEBT SERVICE REQUIREMENTS”). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.30 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$592,894 and a tax rate of \$0.25 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$505,586. The 2019 Preliminary Taxable Assessed Valuation reduces the above calculations to \$0.27 per \$100 assessed valuation and \$0.23 per \$100 assessed valuation, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Certified Taxable Assessed Valuation and the 2019 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See “TAX PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT—Overlapping Taxes for 2018”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

After issuance of the Bonds, the District will have \$20,915,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and/or for the purpose of refunding District bonds issued for such purposes. The District reserves in the Bond Resolution the right to issue any authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, and for refunding purposes and the District may issue additional bonds which may be voted hereafter. See "THE BONDS—Issuance of Additional Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

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-Brazoria 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, the 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, the 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 the 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 the 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 appropriation; (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, may 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 established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

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

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern

District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain 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.

Marketability of the Bonds

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Houston Ordinance 97-416.

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

MUNICIPAL BOND RATING

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

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

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

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

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

Miscellaneous Matters

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

Qualified Tax-Exempt Obligations

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections “THE DISTRICT” and “THE SYSTEM” has been provided by Van DeWiele & Vogler, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The District's audited financial statements for the fiscal year ending September 30, 2018 have been prepared by McCall Gibson Swedlund Barfoot, PLLC. See “APPENDIX A” for a copy of the District's September 30, 2018 audited financial statements.

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

/s/ Michael A. Martin
President, Board of Directors

ATTEST:

/s/ Winetta Billings
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of March 2019)



ALICE CLONDINE RD.

CHELFORD ONE MUNICIPAL
UTILITY DISTRICT

BELAIRE BLVD



PHOTOGRAPHS OF THE DISTRICT
(Taken March 2019)













APPENDIX A

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

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
OF HARRIS COUNTY, TEXAS

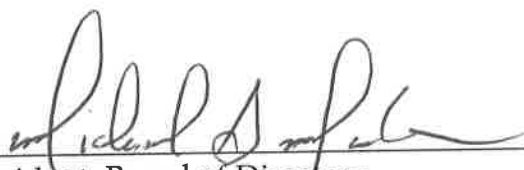
March 18, 2019

VIA ELECTRONIC SUBMISSION
Municipal Securities Rulemaking Board
c/o EMMA

In compliance with various contractual undertakings made by Chelford One Municipal Utility District of Harris County, Texas (the "District") in connection with municipal securities issued by the District after July 3, 1995 (the "Bonds"), and as required by Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the District is forwarding to each of you the following attached document:

1. The District's general purpose financial statements for the fiscal year ended September 30, 2018, audited by McCall Gibson Swedlund Barfoot PLLC, independent certified public accountants, to the extent indicated in their report, and Management Letter to the District relating to the District's financial reporting under Statement on Auditing Standards No. 115, including the District's response thereto (the "Financial Statements").

All information contained within the Financial Statements was compiled as of September 30, 2018 (unless expressly stated to the contrary in the Financial Statements).



President, Board of Directors
Chelford One Municipal Utility District
of Harris County, Texas



Secretary, Board of Directors
Chelford One Municipal Utility District
of Harris County, Texas

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
OF HARRIS COUNTY, TEXAS**

Annual Report Pursuant to
SEC Rule 15c2-12

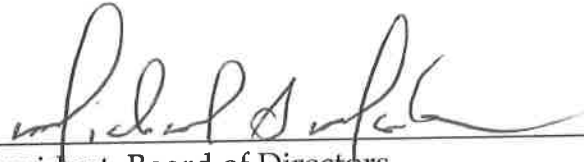
This information is being provided by CHELFORD ONE MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY, TEXAS (the "Issuer") in compliance with its contractual undertakings (the "Undertakings") to provide an annual report of financial information and operating data, as required by Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, regarding the Issuer's outstanding municipal debt issues (the "Issues").

Pursuant to the rules of the Municipal Securities Rulemaking Board (the "MSRB"), the participating underwriter for each Issue was required to file a copy of the final official statement for the Issue with the MSRB, a copy of which is available from the MSRB upon request and payment of copying, handling and mailing costs. The official statement for each Issue should not be considered to speak as of any date other than the dates indicated in such document.

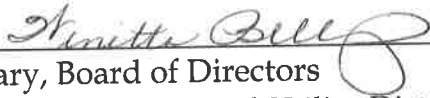
This Annual Report is based on information compiled and provided by the Issuer. This information has been obtained from Issuer records, audited financial statements and other sources which are believed to be reliable. This information is provided in satisfaction of the Undertakings, containing information as prescribed by the Rule. The Issuer makes no warranty concerning the usefulness of such information to a decision to invest in, hold or sell bonds or other debt instruments of the Issuer. See "INVESTMENT CONSIDERATIONS" in the official statements for a discussion of certain factors that should be considered by holders or prospective holders of the bonds. Information agreed to be provided by the Issuer may be reported in full text herein, or may be incorporated by reference to certain other publicly available documents.

The names and addresses of the Issuer's officials and consultants are listed in the Issuer's official audited financial report.

Approved for submission: March 18, 2019.



President, Board of Directors
Chelford One Municipal Utility District
of Harris County, Texas



Secretary, Board of Directors
Chelford One Municipal Utility District
of Harris County, Texas

Index

Information

Exhibit

1. General Purpose Financial Statements and Supplementary Information and Management Letter to the District relating to the District's financial reporting under Statement on Auditing Standards No. 115, including the District's response thereto for fiscal year ended September 30, 2018

"A"

EXHIBIT A

CHELFORD ONE MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

CHELFORD ONE MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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9600 Great Hills Trail
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Austin, Texas 78759
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chelford One Municipal Utility District
Harris County, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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
Chelford One 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 September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 21, 2019

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Management's discussion and analysis of Chelford One Municipal Utility District of Harris County, Texas (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes 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.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. 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 exceeded liabilities by \$5,251,772 as of September 30, 2018. A portion of the District's net position reflects its net investment in capital assets (water and wastewater 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:

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 4,968,504	\$ 4,302,675	\$ 665,829
Capital Assets (Net of Accumulated Depreciation)	<u>5,785,918</u>	<u>5,915,710</u>	<u>(129,792)</u>
Total Assets	\$ 10,754,422	\$ 10,218,385	\$ 536,037
Bonds Payable	\$ 5,075,431	\$ 5,343,681	\$ 268,250
Other Liabilities	<u>427,219</u>	<u>278,391</u>	<u>(148,828)</u>
Total Liabilities	\$ 5,502,650	\$ 5,622,072	\$ 119,422
Net Position:			
Net Investment in Capital Assets	\$ 928,806	\$ 980,406	\$ (51,600)
Restricted	581,476	542,624	38,852
Unrestricted	<u>3,741,490</u>	<u>3,073,283</u>	<u>668,207</u>
Total Net Position	\$ 5,251,772	\$ 4,596,313	\$ 655,459

The following table provides a summary of the District's operations for the years ended September 30, 2018, and September 30, 2017. The District's net position increased by \$655,459. Comparative data is presented below.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,078,128	\$ 948,791	\$ 129,337
Charges for Services	1,553,499	1,529,059	24,440
Other Revenues	<u>61,119</u>	<u>31,978</u>	<u>29,141</u>
Total Revenues	\$ 2,692,746	\$ 2,509,828	\$ 182,918
Expenses for Services	<u>2,037,287</u>	<u>2,067,943</u>	<u>30,656</u>
Change in Net Position	\$ 655,459	\$ 441,885	\$ 213,574
Net Position, Beginning of Year	<u>4,596,313</u>	<u>4,154,428</u>	<u>441,885</u>
Net Position, End of Year	\$ 5,251,772	\$ 4,596,313	\$ 655,459

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2018, were \$4,449,635, an increase of \$439,496 from the prior year.

The General Fund fund balance increased by \$626,431 primarily due to operating and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$3,123 due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$190,058 due to capital costs paid in the current year from proceeds of bonds issued in a prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$117,968 more than budgeted revenues, primarily due to higher than anticipated service and tap revenues. Actual expenditures were \$50,074 less than budgeted, primarily due to lower than anticipated repairs and maintenance costs, professional fees, purchased services and contracted services.

CAPITAL ASSETS

Capital assets as of September 30, 2018, total \$5,785,918 and include land, as well as the water and wastewater systems. Significant capital asset activity during the current fiscal year included construction and engineering related to the Addicks-Clodine Road sanitary sewer replacement project, water well rehabilitation, and engineering for the hydro-tank relocation.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 286,728	\$ 286,728	\$
Construction in Progress	224,169	28,869	195,300
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,708,965	1,841,888	(132,923)
Wastewater System	2,951,203	3,065,323	(114,120)
Capacity in Joint Facilities	614,853	692,902	(78,049)
Total Net Capital Assets	\$ 5,785,918	\$ 5,915,710	\$ (129,792)

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$5,150,000. The changes in the debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows:

Bond Debt Payable, October 1, 2017	\$ 5,425,000
Less: Bond Principal Paid	<u>275,000</u>
Bond Debt Payable, September 30, 2018	<u>\$ 5,150,000</u>

The District's Series 2010 and Series 2015 bonds carry an underlying Standard and Poor's ("S&P") rating of "A". The Series 2007 and Series 2015 bonds carry an insured S&P rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation and Build America Mutual Assurance Company, respectively. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all rating changes of bond insurers through September 30, 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 Chelford One Municipal Utility District of Harris County, Texas, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2018**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 193,710	\$ 58,767
Investments	3,224,278	499,567
Receivables:		
Property Taxes	70,756	71,464
Penalty and Interest on Delinquent Taxes		
Service Accounts	94,254	
Accrued Interest	17,974	1,294
Due from Other Funds		4,120
Prepaid Costs	10,000	
Advance for Integrated Water System	81,000	
Advance for Regional Wastewater Treatment		
Plant Operations	310,824	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,002,796	\$ 635,212

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,000	\$ 254,477	\$	\$ 254,477
312,534	4,036,379		4,036,379
	142,220		142,220
		20,082	20,082
	94,254		94,254
	19,268		19,268
	4,120	(4,120)	
	10,000		10,000
	81,000		81,000
	310,824		310,824
		286,728	286,728
		224,169	224,169
		5,275,021	5,275,021
<u>\$ 314,534</u>	<u>\$ 4,952,542</u>	<u>\$ 5,801,880</u>	<u>\$ 10,754,422</u>

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

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 187,615	\$
Accrued Interest Payable		
Due to Other Funds	4,120	
Due to Taxpayers		3,166
Security Deposits	69,571	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 261,306	\$ 3,166
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 70,756	\$ 71,464
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 10,000	\$
Integrated Water System Operating Advance	81,000	
Wastewater Treatment Plant Operating Advance	310,824	
Restricted for Authorized Construction		
Restricted for Debt Service		560,582
Unassigned	3,268,910	
TOTAL FUND BALANCES	\$ 3,670,734	\$ 560,582
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,002,796	\$ 635,212
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.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 96,215	\$ 283,830	\$	\$ 283,830
		70,652	70,652
	4,120	(4,120)	
	3,166		3,166
	69,571		69,571
		265,000	265,000
		4,810,431	4,810,431
<u>\$ 96,215</u>	<u>\$ 360,687</u>	<u>\$ 5,141,963</u>	<u>\$ 5,502,650</u>
<u>\$ -0-</u>	<u>\$ 142,220</u>	<u>\$ (142,220)</u>	<u>\$ -0-</u>
\$	\$ 10,000	\$ (10,000)	\$
	81,000	(81,000)	
	310,824	(310,824)	
218,319	218,319	(218,319)	
	560,582	(560,582)	
	3,268,910	(3,268,910)	
<u>\$ 218,319</u>	<u>\$ 4,449,635</u>	<u>\$ (4,449,635)</u>	<u>\$ - 0 -</u>
<u>\$ 314,534</u>	<u>\$ 4,952,542</u>		
		\$ 928,806	\$ 928,806
		581,476	581,476
		3,741,490	3,741,490
		<u>\$ 5,251,772</u>	<u>\$ 5,251,772</u>

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

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Total Fund Balances - Governmental Funds	\$	4,449,635
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		5,785,918
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		162,302
<p>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:</p>		
Accrued Interest Payable	\$ (70,652)	
Bonds Payable	<u>(5,075,431)</u>	<u>(5,146,083)</u>
Total Net Position - Governmental Activities	\$	<u>5,251,772</u>

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

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CHELFORD ONE MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 508,343	\$ 488,826
Water Service	511,300	
Wastewater Service	512,869	
Water Authority Fees	436,401	
Penalty and Interest	43,006	14,788
Tap Connection and Inspection Fees	42,555	
Miscellaneous Revenues	48,421	5,718
TOTAL REVENUES	\$ 2,102,895	\$ 509,332
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 127,109	\$ 3,731
Contracted Services	253,703	29,242
Purchased Wastewater Service	246,435	
Utilities	56,945	
Water Authority Assessments	448,018	
Repairs and Maintenance	181,036	
Depreciation		
Other	163,218	4,542
Capital Outlay		
Debt Service:		
Bond Principal		275,000
Bond Interest		193,694
TOTAL EXPENDITURES/EXPENSES	\$ 1,476,464	\$ 506,209
NET CHANGE IN FUND BALANCES	\$ 626,431	\$ 3,123
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2017	3,044,303	557,459
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2018	\$ 3,670,734	\$ 560,582

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 997,169	\$ 80,959	\$ 1,078,128
	511,300		511,300
	512,869		512,869
	436,401		436,401
	57,794	(7,420)	50,374
	42,555		42,555
6,980	61,119		61,119
<u>\$ 6,980</u>	<u>\$ 2,619,207</u>	<u>\$ 73,539</u>	<u>\$ 2,692,746</u>
\$ 1,197	\$ 132,037	\$	\$ 132,037
541	283,486		283,486
	246,435		246,435
	56,945		56,945
	448,018		448,018
	181,036		181,036
		325,092	325,092
	167,760		167,760
195,300	195,300	(195,300)	
	275,000	(275,000)	
	193,694	2,784	196,478
<u>\$ 197,038</u>	<u>\$ 2,179,711</u>	<u>\$ (142,424)</u>	<u>\$ 2,037,287</u>
\$ (190,058)	\$ 439,496	\$ (439,496)	\$
		655,459	655,459
408,377	4,010,139	586,174	4,596,313
<u>\$ 218,319</u>	<u>\$ 4,449,635</u>	<u>\$ 802,137</u>	<u>\$ 5,251,772</u>

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

**CHELFORD ONE 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 SEPTEMBER 30, 2018**

Net Change in Fund Balances - Governmental Funds	\$	439,496
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		80,959
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.		(7,420)
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.		(325,092)
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.		195,300
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.		275,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		<u>(2,784)</u>
Change in Net Position - Governmental Activities	\$	<u>655,459</u>

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

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. CREATION OF DISTRICT

Chelford One Municipal Utility District of Harris County, Texas (the "District"), was created effective November 25, 1975, 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, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and 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 January 8, 1976, and the first bonds were sold on October 27, 1976.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District entered into an agreement with Chelford City Municipal Utility District ("Chelford City") for wastewater disposal. Oversight responsibility of the wastewater disposal plant is by Chelford City. Additional disclosure concerning this joint venture is provided in Note 10. Separate audited financial reports are issued on the Plant. Reports can be obtained by contacting the District's auditor.

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").

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- 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.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2018, the General Fund owed the Debt Service Fund \$4,120 for the over transfer of maintenance tax collections.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital 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

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the 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.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3. LONG-TERM DEBT

	<u>Series 2007</u>	<u>Series 2010</u>	<u>Series 2015</u>
Amount Outstanding – September 30, 2018	\$745,000	\$3,110,000	\$1,295,000
Interest Rates	4.25% - 4.375%	3.00% - 4.25%	3.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	November 15, 2018/2027	November 15, 2018/2030	November 15, 2018/2034
Interest Payment Dates	November 15/ May 15	November 15/ May 15	November 15/ May 15
Callable Dates	November 15, 2016*	November 15, 2019*	November 15, 2023*

* In such manner as the District may determine, in whole or in part, on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2007 term bonds maturing on November 15, 2020, November 15, 2024, and November 15, 2027, are subject to mandatory redemption by random selection beginning November 15, 2017, November 15, 2021, and November 15, 2025, respectively. The Series 2015 term bond maturing on November 15, 2030, is subject to mandatory redemption beginning November 15, 2027.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2018:

	<u>October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2018</u>
Bonds Payable	\$ 5,425,000	\$	\$ 275,000	\$ 5,150,000
Unamortized Discounts	(81,319)		(6,750)	(74,569)
Bonds Payable, Net	<u>\$ 5,343,681</u>	<u>\$ -0-</u>	<u>\$ 268,250</u>	<u>\$ 5,075,431</u>
		Amount Due Within One Year		\$ 265,000
		Amount Due After One Year		<u>4,810,431</u>
		Bonds Payable, Net		<u>\$ 5,075,431</u>

The District has authorized but unissued tax bonds totaling \$23,570,000 which can be issued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and/or for the purpose of refunding District bonds. 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 the Series 2007 bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 265,000	\$ 184,057	\$ 449,057
2020	275,000	175,087	450,087
2021	290,000	165,462	455,462
2022	305,000	154,919	459,919
2023	315,000	143,670	458,670
2024-2028	1,760,000	526,317	2,286,317
2029-2033	1,540,000	182,687	1,722,687
2034-2035	400,000	13,000	413,000
	<u>\$ 5,150,000</u>	<u>\$ 1,545,199</u>	<u>\$ 6,695,199</u>

During the year ended September 30, 2018, the District levied an ad valorem debt service tax rate of \$0.240 per \$100 of assessed valuation, which resulted in a tax levy of \$528,408 on the adjusted taxable valuation of \$220,169,928 for the 2017 tax year. The bond resolutions 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 maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required to provide continuing disclosure of annual financial information and operating data with respect to the District to certain information repositories. 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.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$3,184,477 and the bank balance was \$3,249,159. 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 September 30, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 193,710	\$ 2,695,000	\$ 2,888,710
DEBT SERVICE FUND	58,767	235,000	293,767
CAPITAL PROJECTS FUND	2,000		2,000
TOTAL DEPOSITS	\$ 254,477	\$ 2,930,000	\$ 3,184,477

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

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), a public funds investment pool. This investment is recorded at amortized cost. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor and Wells Fargo Bank N.A., serves as the custodian for the pool. Texas CLASS is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS participants. Certificates of deposit are recorded at amortized cost.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 529,278	\$ 529,278
Certificates of Deposit	2,695,000	2,695,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	264,567	264,567
Certificates of Deposit	235,000	235,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	312,534	312,534
TOTAL INVESTMENTS	<u>\$4,036,379</u>	<u>\$4,036,379</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2018, the District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

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

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018:

	October 1, 2017	Increases	Decreases	September 30, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 286,728	\$	\$	\$ 286,728
Construction in Progress	28,869	195,300		224,169
Total Capital Assets Not Being Depreciated	<u>\$ 315,597</u>	<u>\$ 195,300</u>	<u>\$ - 0 -</u>	<u>\$ 510,897</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,577,069	\$	\$	\$ 3,577,069
Wastewater System	5,200,597			5,200,597
Capacity in Joint Facilities	2,606,061			2,606,061
Total Capital Assets Subject to Depreciation	<u>\$ 11,383,727</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 11,383,727</u>
Accumulated Depreciation				
Water System	\$ 1,735,181	\$ 132,923	\$	\$ 1,868,104
Wastewater System	2,135,274	114,120		2,249,394
Capacity in Joint Facilities	1,913,159	78,049		1,991,208
Total Accumulated Depreciation	<u>\$ 5,783,614</u>	<u>\$ 325,092</u>	<u>\$ - 0 -</u>	<u>\$ 6,108,706</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,600,113</u>	<u>\$ (325,092)</u>	<u>\$ - 0 -</u>	<u>\$ 5,275,021</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,915,710</u>	<u>\$ (129,792)</u>	<u>\$ - 0 -</u>	<u>\$ 5,785,918</u>

The District has financed drainage facilities which have been accepted by other entities for maintenance.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7. MAINTENANCE TAX

On April 3, 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. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. During the year ended September 30, 2018, the District levied an ad valorem maintenance tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$550,425 on the adjusted taxable valuation of \$220,169,928 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. INTEGRATED WATER SYSTEM

On May 14, 1981, the District, Chelford City Municipal Utility District, Mission Bend Municipal Utility District No.1 and Mission Bend Municipal Utility District No. 2 executed a water supply and billing agreement. Effective June 1, 2012, the districts executed the Amended and Restated Water Supply and Billing Agreement forming the Mission Bend Integrated Water System. Effective April 1, 2018, the districts executed the second amended and restated Water Supply and Billing Agreement. Chelford City acts as the coordinating district in regards to the billing and collection of chemicals, telephone, electricity and water authority fees. These fees are prorated to each district based on water billed in each district. Each district has deposited an operating reserve equal to two months of electricity, telephone, and chemical bills and two months of water authority fees. The reserve is adjusted each calendar year and is based on the highest billing paid in the previous year, including gallons used multiplied by the anticipated Water Authority rates for the next year. The term of this agreement is 40 years. As of September 30, 2018, the District has contributed a reserve of \$81,000 and paid \$67,356 for utilities and chemical costs.

The following summary financial information of the Mission Bend Integrated Water System is presented for the fiscal year ended September 30, 2018:

Total Assets	\$ 793,386
Total Liabilities	<u>253,386</u>
Total Fund Balance	<u>\$ 540,000</u>
Total Revenues	\$ 3,156,626
Total Expenditures	<u>3,156,626</u>
Net Change in Fund Balance	\$ - 0 -
Increase in Reserve	216,280
Fund Balances – October 1, 2017	<u>323,720</u>
Fund Balances – September 30, 2018	<u>\$ 540,000</u>

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY

On May 30, 1986, the District executed an agreement with Chelford City Municipal Utility District, Mission Bend Municipal Utility District No 1 and Mission Bend Municipal Utility District No. 2 (District No. 2) to construct, finance and operate a 2,000,000 gallon elevated storage facility. This agreement was amended on November 15, 2016, subsequent to year end, to clarify the manner in which costs associated with the ongoing operation of the elevated water storage facility will be incurred, billed and otherwise administered amongst the districts.

District No. 2 holds all legal right, title, and interest to the facilities. The term of the agreement is 40 years, unless terminated by mutual agreement of all parties. District No. 2 operates, maintains, and insures the facility on behalf of the districts and pays all costs of operating, maintaining, repairing, reconstructing, replacing and insuring the facility. District No. 2 invoices each district on a quarterly basis for its share of the costs of operation and maintenance. Each district has equitable ownership rights in the facility as follows:

Participant	Percent
Chelford City Municipal Utility District	15.14%
Chelford One Municipal Utility District of Harris County, Texas	12.62
Mission Bend Municipal Utility District No. 1	22.16
Mission Bend Municipal Utility District No. 2	<u>50.08</u>
TOTALS	<u>100.00%</u>

NOTE 10. FINANCING AND OPERATION OF REGIONAL FACILITIES

Chelford City entered into various contracts whereby Chelford City agreed to provide or cause to be provided the regional wastewater treatment and disposal facilities necessary to serve the participating districts. The term of each contract is 40 years. The agreements are dated as shown:

Participants	Date of Agreement
Chelford City Municipal Utility District	May 9, 1978
Chelford One Municipal Utility District	May 9, 1978
City of Houston (formerly Harris County Municipal Utility District No. 98)	May 9, 1978
Harris County Municipal Utility District No. 120	May 9, 1978
Harris County Municipal Utility District No. 147	May 9, 1978
Mission Bend Municipal Utility District No. 1	May 9, 1978
Mission Bend Municipal Utility District No. 2	June 19, 1979
City of Houston (formerly West Houston Municipal Utility District)	August 12, 1981
Alief Church of the Nazarene (formerly United Savings of Texas)	May 9, 1978

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. FINANCING AND OPERATION OF REGIONAL FACILITIES
(Continued)

On January 26, 1982, Chelford City entered into a supplemental agreement with the participants to share the cost of expanding the treatment facilities to 15,500,000 gallons per-day capacity. The Plant's capacity was subsequently reduced to 11,000,000 gallons per day due to permit downgrading.

On September 11, 2006, Chelford City amended the contract to clarify the pro rata share of each participant and extend the term of the contract. The term of this contract is for a period of 40 years and shall automatically be extended for successive 40-year periods until all of the participants have been annexed and dissolved by the City of Houston, Texas.

On March 12, 2018, the District and the City of Houston (formerly Harris County Municipal Utility District No. 98) executed an amendment to the contract which extends the effective date of the contract through August 12, 2021.

Each participant's capacity and percent of ownership are as follows:

Participants	Gallons-Per-Day Capacity	Percent
Chelford City Municipal Utility District	864,423	7.86%
Chelford One Municipal Utility District	532,258	4.85
City of Houston (formerly Harris County Municipal Utility District No. 98)	1,087,112	9.88
Harris County Municipal Utility District No. 120	3,010,952	27.37
Harris County Municipal Utility District No. 147	489,734	4.45
Mission Bend Municipal Utility District No. 1	1,041,895	9.47
Mission Bend Municipal Utility District No. 2	2,492,643	22.66
City of Houston (formerly West Houston Municipal Utility District)	1,473,177	13.39
Alief Church of the Nazarene	7,806	0.07
	<u>11,000,000</u>	<u>100.00%</u>

Chelford City operates the regional facilities and holds title for the benefit of the participants. Participants are billed monthly, based on \$1.50 per 1,000 gallons-per-day capacity acquired in the treatment facilities, plus a pro rata share of budgeted costs in excess of this amount based on the number of equivalent connections. During the current fiscal year, the monthly per connection charge was \$13.50. As of September 30, 2018, each participant's share has been adjusted to actual costs, and the difference added to fund equity. In addition, each participant is required to maintain its pro rata share of an operation and maintenance reserve equivalent to two months' budgeted operation and maintenance costs. As of September 30, 2018, the District's advance for operations and maintenance of the Plant was \$310,824. The District recorded \$246,435 as its share of operating costs of the Plant.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. FINANCING AND OPERATION OF REGIONAL FACILITIES
(Continued)

The following summary financial information of the Plant is presented for the fiscal year ended September 30, 2018:

Total Assets	\$ 4,319,733
Total Liabilities	<u>560,383</u>
Total Fund Balance	<u>\$ 3,759,350</u>
Total Revenues	\$ 3,480,133
Total Expenditures	<u>3,094,068</u>
Net Change in Fund Balances	\$ 386,065
Fund Balances – October 1, 2017	<u>3,373,285</u>
Fund Balances – September 30, 2018	<u>\$ 3,759,350</u>

NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842, as amended, (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants collectively comply with subsidence district surface water conversion requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The fee currently charged is \$2.70 per 1,000 gallons of water pumped from each well. The District paid the Mission Bend Integrated Water System \$448,018 for its share of pumpage fees during the current fiscal year.

CHELFORD ONE MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, the 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 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. Under the agreement, in accordance with Subchapter F of Chapter 43 of the Local Government Code and the Act, the City annexed a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

The agreement calls for the City to impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. However, the Tract is overlapped by an Emergency Service District that already collects the one percent sales and use tax that would otherwise be available to the City. Since the City will not be collecting such sales tax, the District will not be receiving any sales tax revenue under this provision of the agreement.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this agreement. The term of this agreement is 30 years from the effective date.

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CHELFORD ONE MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 491,007	\$ 508,343	\$ 17,336
Water Service	506,700	511,300	4,600
Wastewater Service	508,000	512,869	4,869
Water Authority Fees	397,500	436,401	38,901
Penalty and Interest	44,000	43,006	(994)
Tap Connection and Inspection Fees	8,000	42,555	34,555
Miscellaneous Revenues	<u>29,720</u>	<u>48,421</u>	<u>18,701</u>
TOTAL REVENUES	<u>\$ 1,984,927</u>	<u>\$ 2,102,895</u>	<u>\$ 117,968</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 149,800	\$ 127,109	\$ 22,691
Contracted Services	269,500	253,703	15,797
Purchased Wastewater Service	277,718	246,435	31,283
Utilities	48,700	56,945	(8,245)
Water Authority Assessments	397,500	448,018	(50,518)
Repairs and Maintenance	214,360	181,036	33,324
Other	<u>168,960</u>	<u>163,218</u>	<u>5,742</u>
TOTAL EXPENDITURES	<u>\$ 1,526,538</u>	<u>\$ 1,476,464</u>	<u>\$ 50,074</u>
NET CHANGE IN FUND BALANCE	\$ 458,389	\$ 626,431	\$ 168,042
FUND BALANCE - OCTOBER 1, 2017	<u>3,044,303</u>	<u>3,044,303</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2018	<u>\$ 3,502,692</u>	<u>\$ 3,670,734</u>	<u>\$ 168,042</u>

See accompanying independent auditor's report.

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**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2018**

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective June 19, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 23.00	8,000	N	\$ 1.25 \$ 2.00	8,001 to 30,000 30,001 and up
WASTEWATER:	\$ 25.00		Y		

SURCHARGE:

Regional Water Authority Fees \$2.97 per 1,000 gallons of metered water usage

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$25.50 Wastewater: \$25.00 Surcharge: \$29.70 Total: \$80.20

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,236</u>	<u>1,199</u>	x 1.0	<u>1,199</u>
1"	<u>11</u>	<u>11</u>	x 2.5	<u>28</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>11</u>	<u>11</u>	x 8.0	<u>88</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,267</u>	<u>1,230</u>		<u>1,420</u>
Total Wastewater Connections	<u>1,259</u>	<u>1,222</u>	x 1.0	<u>1,222</u>

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

Gallons billed to customers: 151,557,400 Water Accountability Ratio: *

* The District is a participant in the Mission Bend Integrated Water System (see Note 8). The amounts of water purchased and sold are not recorded by the individual participants. All four participants in this system buy and sell water to the other districts in the system monthly.

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County

Is the District located within a city?

Entirely Partly Not at all

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

Entirely 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

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 15,500
Engineering	25,186
Legal	<u>86,423</u>
TOTAL PROFESSIONAL FEES	<u>\$ 127,109</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 246,435</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 26,456
Operations and Billing	<u>61,955</u>
TOTAL CONTRACTED SERVICES	<u>\$ 88,411</u>
UTILITIES	<u>\$ 56,945</u>
REPAIRS AND MAINTENANCE	<u>\$ 181,036</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 33,264
Insurance	14,888
Office Supplies and Postage	20,619
Travel and Meetings	6,813
Arbitrage Fees	2,500
Other	<u>12,939</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 91,023</u>
TAP CONNECTIONS	<u>\$ 5,550</u>
SECURITY	<u>\$ 165,292</u>
RECREATIONAL FACILITIES	<u>\$ 40,000</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 6,227
Permit Fees	3,089
Reconnection Fees	3,719
Inspection Fees	8,546
Water Authority Assessments	448,018
Regulatory Assessment	<u>5,064</u>
TOTAL OTHER EXPENDITURES	<u>\$ 474,663</u>
TOTAL EXPENDITURES	<u>\$ 1,476,464</u>

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 529,278	\$
Certificate of Deposit	XXXX5582	1.30%	03/18/19	245,000	1,710
Certificate of Deposit	XXXX1908	0.95%	12/01/18	245,000	1,709
Certificate of Deposit	XXXX8095	1.21%	10/15/18	245,000	2,591
Certificate of Deposit	XXXX0507	2.05%	06/03/19	245,000	1,637
Certificate of Deposit	XXXX0109	2.15%	07/16/19	245,000	1,097
Certificate of Deposit	XXXX1603	2.38%	08/06/19	245,000	879
Certificate of Deposit	XXXX1957	0.85%	11/22/18	245,000	1,580
Certificate of Deposit	XXXX5029	1.25%	01/16/19	245,000	1,863
Certificate of Deposit	XXXX7230	1.70%	05/14/19	245,000	1,586
Certificate of Deposit	XXXX3395	1.25%	02/25/19	245,000	1,821
Certificate of Deposit	XXXX7158	1.30%	04/11/19	245,000	1,501
TOTAL GENERAL FUND				<u>\$ 3,224,278</u>	<u>\$ 17,974</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 264,567	\$
Certificate of Deposit	XXXX2269	1.00%	10/08/18	235,000	1,294
TOTAL DEBT SERVICE FUND				<u>\$ 499,567</u>	<u>\$ 1,294</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 312,534	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 4,036,379</u>	<u>\$ 19,268</u>

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
OCTOBER 1, 2017	\$ 28,980		\$ 32,281
Adjustments to Beginning			
Balance	<u>(306)</u>	\$ 28,674	<u>(399)</u> \$ 31,882
Original 2017 Tax Levy	\$ 474,681		\$ 455,693
Adjustment to 2017 Tax Levy	<u>75,744</u>	<u>550,425</u>	<u>72,715</u> <u>528,408</u>
TOTAL TO BE			
ACCOUNTED FOR		\$ 579,099	\$ 560,290
TAX COLLECTIONS:			
Prior Years	\$ 6,685		\$ 7,234
Current Year	<u>501,658</u>	<u>508,343</u>	<u>481,592</u> <u>488,826</u>
TAXES RECEIVABLE -			
SEPTEMBER 30, 2018		<u>\$ 70,756</u>	<u>\$ 71,464</u>
TAXES RECEIVABLE BY			
YEAR:			
2017		\$ 48,767	\$ 46,816
2016		14,654	15,533
2015		3,163	3,606
2014		1,059	1,334
2013		1,003	1,264
2012 and prior		<u>2,110</u>	<u>2,911</u>
TOTAL		<u>\$ 70,756</u>	<u>\$ 71,464</u>

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 48,058,676	\$ 50,975,908	\$ 47,100,601	\$ 42,631,532
Improvements	199,253,476	152,683,317	146,085,803	129,667,617
Personal Property	4,025,832	3,810,726	4,120,818	3,726,867
Exemptions	<u>(31,168,056)</u>	<u>(23,653,939)</u>	<u>(27,323,174)</u>	<u>(20,995,340)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 220,169,928</u>	<u>\$ 183,816,012</u>	<u>\$ 169,984,048</u>	<u>\$ 155,030,676</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.24	\$ 0.265	\$ 0.285	\$ 0.315
Maintenance	<u>0.25</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.49</u>	<u>\$ 0.515</u>	<u>\$ 0.535</u>	<u>\$ 0.565</u>
ADJUSTED TAX LEVY*	<u>\$ 1,078,833</u>	<u>\$ 946,653</u>	<u>\$ 909,416</u>	<u>\$ 875,924</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>91.14 %</u>	<u>96.81 %</u>	<u>99.26 %</u>	<u>99.73 %</u>

* 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 April 3, 1976.

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2018**

S E R I E S - 2 0 0 7				
Due During Fiscal Years Ending September 30	Principal Due November 15	Interest Due November 15/ May 15	Total	
2019	\$ 60,000	\$ 30,719	\$	90,719
2020	60,000	28,169		88,169
2021	65,000	25,511		90,511
2022	70,000	22,644		92,644
2023	70,000	19,669		89,669
2024	75,000	16,588		91,588
2025	80,000	13,294		93,294
2026	85,000	9,735		94,735
2027	90,000	5,907		95,907
2028	90,000	1,969		91,969
2029				
2030				
2031				
2032				
2033				
2034				
2035				
	\$ 745,000	\$ 174,205	\$	919,205

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2018**

S E R I E S - 2 0 1 0				
Due During Fiscal Years Ending September 30	Principal Due November 15	Interest Due November 15/ May 15	Total	
2019	\$ 180,000	\$ 113,025	\$	293,025
2020	190,000	107,356		297,356
2021	200,000	101,138		301,138
2022	210,000	94,213		304,213
2023	220,000	86,688		306,688
2024	230,000	78,669		308,669
2025	240,000	70,000		310,000
2026	240,000	61,000		301,000
2027	250,000	51,812		301,812
2028	250,000	42,125		292,125
2029	300,000	31,125		331,125
2030	300,000	18,937		318,937
2031	300,000	6,375		306,375
2032				
2033				
2034				
2035				
	\$ 3,110,000	\$ 862,463	\$	3,972,463

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2018**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending September 30	Principal Due November 15	Interest Due November 15/ May 15	Total
2019	\$ 25,000	\$ 40,313	\$ 65,313
2020	25,000	39,562	64,562
2021	25,000	38,813	63,813
2022	25,000	38,062	63,062
2023	25,000	37,313	62,313
2024	25,000	36,562	61,562
2025	25,000	35,813	60,813
2026	25,000	35,062	60,062
2027	25,000	34,312	59,312
2028	30,000	33,469	63,469
2029	80,000	31,750	111,750
2030	80,000	29,250	109,250
2031	80,000	26,750	106,750
2032	200,000	22,375	222,375
2033	200,000	16,125	216,125
2034	200,000	9,750	209,750
2035	200,000	3,250	203,250
	\$ 1,295,000	\$ 508,531	\$ 1,803,531

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2018**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 265,000	\$ 184,057	\$ 449,057
2020	275,000	175,087	450,087
2021	290,000	165,462	455,462
2022	305,000	154,919	459,919
2023	315,000	143,670	458,670
2024	330,000	131,819	461,819
2025	345,000	119,107	464,107
2026	350,000	105,797	455,797
2027	365,000	92,031	457,031
2028	370,000	77,563	447,563
2029	380,000	62,875	442,875
2030	380,000	48,187	428,187
2031	380,000	33,125	413,125
2032	200,000	22,375	222,375
2033	200,000	16,125	216,125
2034	200,000	9,750	209,750
2035	200,000	3,250	203,250
	<u>\$ 5,150,000</u>	<u>\$ 1,545,199</u>	<u>\$ 6,695,199</u>

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2017
Chelford One Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2003	\$ 2,000,000	\$ 200,000
Chelford One Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2007	1,390,000	795,000
Chelford One Municipal Utility District Unlimited Tax Bonds - Series 2010	3,110,000	3,110,000
Chelford One Municipal Utility District Unlimited Tax Bonds - Series 2015	<u>1,320,000</u>	<u>1,320,000</u>
TOTAL	<u>\$ 7,820,000</u>	<u>\$ 5,425,000</u>

Bond Authority:	Tax Bonds	Tax and Revenue Bonds
Amount Authorized by Voters	\$ 28,000,000	\$ 8,000,000
Amount Issued	<u>4,430,000</u>	<u>8,000,000</u>
Remaining to be Issued	<u>\$ 23,570,000</u>	<u>\$ - 0 -</u>

Debt Service Fund cash and investment balances as of September 30, 2018: \$ 558,334

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 393,835

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 200,000	\$ 3,850	\$ - 0 -	Wells Fargo Bank N.A. Houston, TX
	50,000	33,056	745,000	Wells Fargo Bank N.A. Houston, TX
		115,725	3,110,000	Wells Fargo Bank N.A. Houston, TX
	<u>25,000</u>	<u>41,063</u>	<u>1,295,000</u>	The Bank of New York Mellon Trust Company Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 275,000</u>	<u>\$ 193,694</u>	<u>\$ 5,150,000</u>	

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 508,343	\$ 446,014	\$ 421,329
Water Service	511,300	501,139	479,472
Wastewater Service	512,869	503,690	488,924
Water Authority Fees	436,401	379,279	334,000
Penalty and Interest	43,006	40,251	44,411
Tap Connection and Inspection Fees	42,555	81,092	12,625
Facilities Fee			304,226
Miscellaneous Revenues	48,421	23,107	21,789
TOTAL REVENUES	\$ 2,102,895	\$ 1,974,572	\$ 2,106,776
EXPENDITURES			
Professional Fees	\$ 127,109	\$ 117,035	\$ 160,796
Contracted Services	253,703	240,956	228,030
Purchased Wastewater Service	246,435	289,740	192,895
Utilities	56,945	47,680	48,650
Water Authority Assessments	448,018	384,644	329,906
Recreational Facilities	40,000	40,000	40,000
Repairs and Maintenance	181,036	183,164	182,473
Other	123,218	179,983	133,952
Capital Outlay			15,312
TOTAL EXPENDITURES	\$ 1,476,464	\$ 1,483,202	\$ 1,332,014
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 626,431	\$ 491,370	\$ 774,762
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 626,431	\$ 491,370	\$ 774,762
BEGINNING FUND BALANCE	3,044,303	2,552,933	1,778,171
ENDING FUND BALANCE	\$ 3,670,734	\$ 3,044,303	\$ 2,552,933

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2015	2014	2018	2017	2016	2015	2014		
\$ 398,240	\$ 338,835	24.2 %	22.6 %	19.9 %	23.3 %	25.2 %		
447,050	324,374	24.3	25.4	22.8	26.1	24.1		
445,157	316,939	24.4	25.5	23.2	26.0	23.6		
319,882	300,042	20.8	19.2	15.9	18.7	22.3		
42,878	41,564	2.0	2.0	2.1	2.5	3.1		
39,672	5,875	2.0	4.1	0.6	2.3	0.4		
				14.4				
<u>17,627</u>	<u>16,548</u>	<u>2.3</u>	<u>1.2</u>	<u>1.1</u>	<u>1.1</u>	<u>1.3</u>		
<u>\$ 1,710,506</u>	<u>\$ 1,344,177</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 131,994	\$ 160,289	6.0 %	5.9 %	7.6 %	7.7 %	11.9 %		
242,106	198,260	12.1	12.2	10.8	14.2	14.7		
255,953	213,179	11.7	14.7	9.2	15.0	15.9		
52,222	59,193	2.7	2.4	2.3	3.1	4.4		
313,573	298,953	21.3	19.5	15.7	18.3	22.2		
40,000	40,000	1.9	2.0	1.9	2.3	3.0		
187,995	256,569	8.6	9.3	8.7	11.0	19.1		
117,088	122,882	5.9	9.1	6.4	6.8	9.1		
<u>9,700</u>	<u>160,333</u>			<u>0.7</u>	<u>0.6</u>	<u>11.9</u>		
<u>\$ 1,350,631</u>	<u>\$ 1,509,658</u>	<u>70.2 %</u>	<u>75.1 %</u>	<u>63.3 %</u>	<u>79.0 %</u>	<u>112.2 %</u>		
<u>\$ 359,875</u>	<u>\$ (165,481)</u>	<u>29.8 %</u>	<u>24.9 %</u>	<u>36.7 %</u>	<u>21.0 %</u>	<u>(12.2) %</u>		
<u>\$ 3,520</u>	<u>\$ - 0 -</u>							
\$ 363,395	\$ (165,481)							
<u>1,414,776</u>	<u>1,580,257</u>							
<u>\$ 1,778,171</u>	<u>\$ 1,414,776</u>							

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 488,826	\$ 473,601	\$ 480,755
Penalty and Interest	14,788	12,723	11,439
Miscellaneous Revenues	<u>5,718</u>	<u>4,438</u>	<u>2,045</u>
TOTAL REVENUES	<u>\$ 509,332</u>	<u>\$ 490,762</u>	<u>\$ 494,239</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 35,765	\$ 33,971	\$ 33,527
Debt Service Principal	275,000	250,000	250,000
Debt Service Interest and Fees	<u>195,444</u>	<u>206,094</u>	<u>218,481</u>
TOTAL EXPENDITURES	<u>\$ 506,209</u>	<u>\$ 490,065</u>	<u>\$ 502,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 3,123</u>	<u>\$ 697</u>	<u>\$ (7,769)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 3,123	\$ 697	\$ (7,769)
BEGINNING FUND BALANCE	<u>557,459</u>	<u>556,762</u>	<u>564,531</u>
ENDING FUND BALANCE	<u>\$ 560,582</u>	<u>\$ 557,459</u>	<u>\$ 556,762</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,230</u>	<u>1,242</u>	<u>1,234</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,222</u>	<u>1,235</u>	<u>1,228</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 503,096	\$ 427,023	96.0 %	96.5 %	97.3 %	97.5 %	97.0 %
10,879	10,149	2.9	2.6	2.3	2.1	2.3
2,145	2,952	1.1	0.9	0.4	0.4	0.7
<u>\$ 516,120</u>	<u>\$ 440,124</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 36,232	\$ 29,253	7.0 %	6.9 %	6.8 %	7.0 %	6.6 %
250,000	250,000	54.0	50.9	50.6	48.4	56.8
183,656	191,981	38.4	42.1	44.3	35.6	43.6
<u>\$ 469,888</u>	<u>\$ 471,234</u>	<u>99.4 %</u>	<u>99.9 %</u>	<u>101.7 %</u>	<u>91.0 %</u>	<u>107.0 %</u>
\$ 46,232	\$ (31,110)	0.6 %	0.1 %	(1.7) %	9.0 %	(7.0) %
\$ 41,438	\$ - 0 -					
\$ 87,670	\$ (31,110)					
476,861	507,971					
<u>\$ 564,531</u>	<u>\$ 476,861</u>					
1,233	1,229					
<u>1,227</u>	<u>1,224</u>					

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2018**

District Mailing Address - Chelford One Municipal Utility District of Harris County, Texas
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees for the year ended September 30, 2018	Expense Reimbursements for the year ended September 30, 2018	Title
Michael Martin	05/16 05/20 (Elected)	\$ 6,300	\$ 1,493	President
Nicholas Alwine	05/16 05/20 (Elected)	\$ 6,450	\$ 1,212	Vice President
Edward D. Quin	05/16 05/20 (Elected)	\$ 4,950	\$ 184	Assistant Vice President
Winetta Billings	05/18 05/22 (Elected)	\$ 7,200	\$ 1,651	Secretary
Eston G. Hupp	05/18 05/22 (Elected)	\$ 6,000	\$ 228	Assistant Secretary

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 21, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 25, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**CHELFORD ONE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2018**

Consultants:	<u>Date Hired</u>	Fees for the year ended <u>September 30, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 94,390	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/16/07	\$ 15,500	Auditor
Municipal Accounts & Consulting, L.P.	03/21/05	\$ 29,469	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/18/96	\$ 3,731	Delinquent Tax Attorney
Van De Wiele & Vogler, Inc.	01/08/76	\$ 82,169	Engineer
Masterson Advisors LLC	05/21/18	\$ -0-	Financial Advisor
Hilltop Securities Inc.	04/21/03	\$ -0-	Prior Financial Advisor
Mark Burton	09/17/07	\$ -0-	Investment Officer
Si Environmental	06/22/12	\$ 269,502	Operator
Bob Leared Interests	04/17/06	\$ 23,065	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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