

OFFICIAL STATEMENT DATED JULY 30, 2019

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

The Bonds have been designated as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

BOOK-ENTRY-ONLY

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

\$4,060,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2019

Dated: August 1, 2019

Due: August 1, as shown below

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from August 1, 2019 and will be payable on February 1 and August 1 of each year commencing February 1, 2020 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$ 10,000	3.000 %	1.500 %	414951 HE6	2024	910,000	3.000 %	1.650 %	414951 HJ5
2021	10,000	3.000	1.530	414951 HF3	2025	905,000	3.000	1.800	414951 HK2
2022	945,000	3.000	1.510	414951 HG1	2026	350,000 (c)	2.000	2.010	414951 HL0
2023	930,000	3.000	1.580	414951 HH9					

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

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 152 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about August 28, 2019.

SAMCO Capital

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer Harris County Municipal Utility District No. 152 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue \$4,060,000 Harris County Municipal Utility District No. 152, Unlimited Tax Refunding Bonds, Series 2019, dated August 1, 2019, are issued pursuant to an order (the “Bond Order”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on August 1 in each of the years 2020 through 2026, both inclusive, in the amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from August 1, 2019 and will be payable February 1 and August 1 of each year commencing February 1, 2020 (six months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months.

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

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

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

Payment Record The District has previously issued six series of unlimited tax bonds and four series of unlimited tax refunding bonds, of which an aggregate of \$6,895,000 principal amount remained outstanding as of July 1, 2019 (the “Outstanding Bonds”). The District has never defaulted on the payment of principal of or interest on any of its previously issued debt. See “FINANCIAL STATEMENT.”

Use of Proceeds Proceeds from the sale of the Bonds, together with other lawfully available District funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$4,095,000 of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” See “PLAN OF FINANCING—Refunded Bonds” and “SOURCES AND USES OF FUNDS.”

<i>Qualified Tax-Exempt Obligations</i>	The Bonds have been designated as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>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 the 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>Bond Counsel</i>	Norton Rose Fulbright US LLP, Bond Counsel, Houston, Texas.
<i>Underwriter’s Counsel</i>	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, National Association, Dallas, Texas.
<i>Verification Agent</i>	Public Finance Partners LLC, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

THE DISTRICT

Description and Location.....The District is a political subdivision of the State of Texas located in northeastern Harris County, Texas, approximately 25 miles from the central business district of the City of Houston. The District is a part of Atascocita, a master planned community adjacent to and west of West Lake Houston Parkway and bounded to the north by Atascocita Road. The District, which is located wholly within the extraterritorial jurisdiction of the City of Houston, contains approximately 787 acres of land.

Recent Extreme Weather Events; Hurricane Harvey.....The Houston area, including the District, is subject to occasional severe tropical weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent such event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. To the best knowledge of the District, 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 or commercial improvements within the District experienced structural flooding or material damage as a result of Hurricane Harvey. See “THE SYSTEM.”

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

Status of DevelopmentWater, sanitary sewer, and drainage facilities have been constructed to serve Atascocita South Sections 1 through 6 and Atasca Woods Sections 1 through 7 (containing in the aggregate approximately 539 acres developed into 2,400 single family residential lots). As of June 21, 2019, the District had a total of 2,463 water connections, of which 2,388 were active single family connections, 8 were inactive single family connections, and the remainder were various commercial connections. The average value of the houses in the District on the 2018 tax rolls of the District is \$173,000.

Commercial development in the District includes four retail centers and several individual commercial tracts on approximately 40 acres. Retail businesses include a Best Buy, a Lifetime Fitness, a Walgreens, a Discount Tire, a Pep Boys, a Michael's craft store, an emergency care center, a dental office, two day care centers and five restaurants. A Berkeley Eye Center on an approximately 1 acre tract and an Assisted Living/Independent Living facility on an approximately 7 acre tract are currently under construction.

The 11-acre Humble ISD Timbers Elementary School, the 99-acre Humble ISD Atascocita High School, the 11-acre Fellowship of the Woodlands Church and the 20-acre North Houston Baptist Church are located in the District, but are not subject to taxation by the District.

The District has approximately 34 acres of land contained in easements, rights of way, recreation and a water plant site. Additionally, an aggregate of approximately 4 acres owned by various entities are served by water, sewer and drainage trunk facilities, but no vertical improvements have been constructed on such acreage and the District is not aware of any development plans. See "THE DISTRICT—Status of Development."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2018 Certified Taxable Assessed Valuation.....	\$520,495,626	(a)
2019 Preliminary Taxable Assessed Valuation.....	\$573,796,415	(b)
 Gross Direct Debt Outstanding (includes the Bonds, excludes the Refunded Bonds)	 \$6,860,000	
 Estimated Overlapping Debt (including Gross Debt).....	 \$33,576,885	(c)
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation.....	1.32%	
2019 Preliminary Taxable Assessed Valuation.....	1.20%	
 Ratio of Estimated Overlapping (including Gross Debt) to:		
2018 Certified Taxable Assessed Valuation.....	6.45%	
2019 Preliminary Taxable Assessed Valuation.....	5.85%	
 2018 Tax Rate		
Debt Service	\$0.23	
Maintenance and Operations	<u>0.05</u>	
Total	<u>\$0.28</u>	
 Average percentage of total tax collections – (2014-2018).....	 99.48%	(d)
 Maximum Annual Debt Service Requirement (2021) of the Remaining Outstanding Bonds and the Bonds (“Maximum Requirement”).....		
	\$1,113,719	(e)
 Tax Rate Required to Pay Maximum Requirement based upon		
2018 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.23	
2019 Preliminary Taxable Assessed Valuation at a 95% collection rate	\$0.21	
 Status of Water Connections as of June 21, 2019 (e):		
Single family residential – active	2,388	
Single family residential – inactive.....	8	
Commercial.....	37	
Other	<u>30</u>	
Total	2,463	
 Estimated 2019 Population.....	 8,358	(f)

(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 value is subject to protest, review and downward adjustment prior to certification by the Appraisal District. See “TAX PROCEDURES.”

(c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”

(d) See “DEBT SERVICE REQUIREMENTS.”

(e) See “THE DISTRICT—Status of Development.”

(f) Based upon 3.5 persons per occupied home.

OFFICIAL STATEMENT

\$4,060,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152

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

UNLIMITED TAX REFUNDING BONDS

SERIES 2019

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 152 (the "District") of its \$4,060,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

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

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

PLAN OF FINANCING

Purpose

The Bonds are being issued to current refund and redeem a portion of the District's Unlimited Tax Refunding Bonds, Series 2010, issued in the original principal amount of \$4,360,000 and a portion of the District's Unlimited Tax Refunding Bonds, Series 2012, issued in the original principal amount of \$7,630,000, in order to achieve a reduction in the District's annual debt service expense. The bonds to be refunded are described below under "Refunded Bonds" and are collectively referred to as the "Refunded Bonds." A total of \$2,800,000 in principal amount of the District's Outstanding Bonds (hereinafter defined) will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "SOURCES AND USES OF FUNDS" and "FINANCIAL STATEMENT—Outstanding Bonds."

Refunded Bonds

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

Maturity Date	Series	Series
<u>August 1</u>	<u>2010</u>	<u>2012</u>
2022	\$ 360,000	\$ 580,000
2023	355,000	575,000
2024	-	920,000
2025	-	925,000
2026	-	380,000
	<u>\$ 715,000</u>	<u>\$ 3,380,000</u>
Redemption Date:	9/5/2019	9/5/2019

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of the Bonds	\$4,060,000.00
Plus: Net Premium on the Bonds.....	<u>209,002.75</u>
Total Sources of Funds.....	\$4,269,002.75
Uses of Funds:	
Deposit to the Deposit Account.....	\$4,110,174.27
Issuance Expenses and Underwriters' Discount (a).....	<u>158,828.48</u>
Total Uses of Funds	\$4,269,002.75

(a) Includes municipal bond insurance premium.

Defeasance of Refunded Bonds

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

The Bond Order provides that from the proceeds of the sale of the Bonds and other legally available funds of the District, if any, the District will deposit with the Prior Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Prior Paying Agent in a segregated account (the "Deposit Account"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Prior Paying Agent, the Underwriter, and the Financial Advisor that the monies held in the Deposit Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. By the deposit of the cash with the Prior Paying Agent and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior orders of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited in the Deposit Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$4,095,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding	Less: Debt	Plus: Debt Service on the Bonds			Total
	Bonds		Service on the	Principal	Interest	
	Debt Service	Refunded Bonds				Debt Service
	Requirements					Requirements
2019	\$ 1,056,175 (a)					\$ 1,056,175
2020	1,134,375	\$ 160,669	\$ 10,000	\$ 118,300	\$ 128,300	1,102,006
2021	1,146,388	160,669	10,000	118,000	128,000	1,113,719
2022	1,100,669	1,100,669	945,000	117,700	1,062,700	1,062,700
2023	1,054,869	1,054,869	930,000	89,350	1,019,350	1,019,350
2024	1,009,000	1,009,000	910,000	61,450	971,450	971,450
2025	977,200	977,200	905,000	34,150	939,150	939,150
2026	395,200	395,200	350,000	7,000	357,000	357,000
Total	\$ 7,873,875	\$ 4,858,275	\$4,060,000	\$ 545,950	\$ 4,605,950	\$ 7,621,550

(a) Excludes the District's February 1, 2019 debt service payment in the amount of \$121,175.

Maximum Annual Debt Service Requirement (2021).....	\$1,113,719
Average Annual Debt Service Requirements (2020-2026)	\$ 937,911

THE BONDS

General

The Bonds are dated August 1, 2019, and mature on August 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from August 1, 2019, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2020 until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, National Association in Dallas, Texas (the “the Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM”.

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

The record date for payment of interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order, without additional interest and with the same force and effect as if made on the specified date for such payment.

Source of Payment

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

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

Annexation: Under Texas law, a city is authorized to annex property within its extraterritorial jurisdiction and to abolish the municipal utility district in which such property is located, subject to compliance with various requirements of Chapter 43 of the Texas Local Government Code, including the following: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a city and a municipal utility district existing within its extraterritorial jurisdiction have entered into a strategic partnership agreement, however, the election and petition process specified above does not apply during the term of the agreement. The agreement may provide for a full purpose annexation or a limited purpose annexation. See “THE DISTRICT—Strategic Partnership Agreement.”

If the City were to successfully annex the property within the District, the City would assume the District’s assets and obligations (including the Bonds) and dissolve the District. The commencement of annexation proceedings by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See “THE DISTRICT—Strategic Partnership Agreement.”

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

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

At such times as a Bond shall be deemed to be paid, as aforesaid, it shall no longer be entitled to the benefits of the Bond Order, except for the purposes of any such payment from such money or Governmental Obligations. "Governmental Obligations" as used herein means (1) direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (3) noncallable obligations of a state or agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, but in the case of each of Clauses (1), (2), and (3), only if such obligations may not be called for redemption prior to maturity.

Redemption Provisions

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

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

Paying Agent/Registrar

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

Registration, Transfer, and Exchange

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

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

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

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

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

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

Authority for Issuance

The voters of the District authorized \$26,605,000 principal amount of unlimited tax bonds for refunding purposes at an election on September 21, 2001 and prior to the issuance of the Bonds, \$26,190,000 remained authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the City of Houston Ordinance No. 97-416, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of the Bonds. 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.

Issuance of Additional Debt

The District's voters have authorized the issuance of \$44,955,000 of unlimited tax or combination unlimited tax and revenue bonds for purpose of purchasing, constructing, acquiring, owning, leasing, operating, repairing or extending facilities for a waterworks, sanitary sewer and drainage system, making certain contract payments, and paying various expenses of the District, and could authorize additional amounts. The District's voters have also authorized the issuance of \$26,605,000 principal amount of unlimited tax bonds for refunding purposes. The District has previously issued six series of unlimited tax bonds and four series of unlimited tax refunding bonds, of which an aggregate of \$6,895,000 principal amount was outstanding as of July 1, 2019. After the issuance of the Bonds, the District will have \$21,525,000 of the original \$44,955,000 unlimited tax or combination tax and revenue bonds authorized but unissued and \$26,190,000 of the original \$26,605,000 unlimited tax refunding bonds authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount that may ultimately be issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

The District 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 Board has not considered calling a park bond election at this time.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Debt Service Fund

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

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

Bond Order Covenants

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

Tax Covenants

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

Amendments to the Bond Order

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

Remedies in Event of Default

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

THE DISTRICT

General

The District was created in 1976 by the Texas Water Rights Commission, predecessor to the Commission, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and parks and recreational facilities. Additionally, the District may, subject to certain limitations and the granting of road powers by the Commission, develop and finance roads. The District is subject to the continuing supervision of the Commission and is located within the exclusive extraterritorial jurisdiction of the City of Houston.

The District, which contains approximately 787 acres of land, is located in the northeastern portion of Harris County approximately 25 miles from the downtown business area of Houston. The District is west of West Lake Houston Parkway and bounded to the north by Atascocita Road. The incorporated City of Humble, Texas is located west of the District; however, the District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston. The District is located within the boundaries of the Humble Independent School District.

Strategic Partnership Agreement

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston (the "City") as authorized by Texas Local Government Code Chapter 43 (the "SPA"). The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes for purposes of applying certain City health, safety, planning and zoning ordinances within the District. The portion of the District consisting of residential development is not subject to the SPA. The SPA also provides that, without the consent of the District, the City will not annex the District for "full purposes" (a traditional municipal annexation) for at least 30 years.

As a result of the SPA, the City is authorized to impose a one percent retail City sales tax within the portion of the District included in the limited purpose annexation. Pursuant to the SPA, the City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Texas Comptroller of Public Accounts (herein defined as the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use the Sales Tax Revenue generated pursuant to the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal of and interest on the Bonds.

Status of Development

Water, sanitary sewer, and drainage facilities have been constructed to serve Atascocita South Sections 1 through 6 and Atasca Woods Sections 1 through 7 (containing in the aggregate approximately 539 acres developed into 2,400 single family residential lots). As of June 21, 2019, the District had a total of 2,463 water connections, of which 2,388 were active single family connections, 8 were inactive single family connections, and the remainder were various commercial connections. The average value of the houses in the District on the 2018 tax rolls of the District was \$173,000.

Commercial development in the District includes four retail centers and several individual commercial tracts on approximately 40 acres. Retail businesses include a Best Buy, a Lifetime Fitness, a Walgreens, a Discount Tire, a Pep Boys, a Michael's craft store, an emergency care center, a dental office, two day care centers and five restaurants. A Berkeley Eye Center on an approximately 1 acre tract and an Assisted Living/Independent Living facility on an approximately 7 acre tract are currently under construction.

The 11-acre Humble ISD Timbers Elementary School, the 99-acre Humble ISD Atascocita High School, the 11-acre Fellowship of the Woodlands Church and the 20-acre North Houston Baptist Church are located in the District, but are not subject to taxation by the District.

The District has approximately 34 acres of land contained in easements, rights of way, recreation and a water plant site. Additionally, an aggregate of approximately 4 acres owned by various entities are served by water, sewer and drainage trunk facilities, but no vertical improvements have been constructed on such acreage, and the District is not aware of any development plans.

Community Facilities

Land within the District is a part of the Atascocita development. Numerous neighborhood shopping facilities are located in the Atascocita development and regional shopping facilities, including Deerbrook Mall, are located within seven miles of the District. The Humble Independent School District has constructed three elementary schools, one middle school and a high school within Atascocita.

The District receives fire protection services from the Atascocita Volunteer Fire Department. Additional fire protection is provided by other area volunteer fire departments and the City of Humble pursuant to mutual aid agreements. Medical care for District residents is available from the Northeast Medical Center Hospital in the City of Humble, approximately four and one-half miles west of the District.

MANAGEMENT

Board of Directors

The District is governed by a Board of Directors consisting of five members. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charlie Crocker	President	2020
Ernest Bezdek	Vice President	2020
Andrew T. Galeucia	Secretary	2020
Asdrubal "Dru" Gutierrez	Asst. Secretary	2022
Curtis W. McMinn	Asst. Secretary	2022

All of the Directors listed above reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held only in even numbered years on the second Saturday in May.

The District has no full time employees but instead contracts with the following entities for professional services:

Tax Assessor/Collector

Land and improvements in the District are appraised for taxation by the Harris County Appraisal District. The District contracts with Wheeler & Associate, Inc. to serve as Tax Assessor/Collector for the District.

System Operator

The District contracts with Inframark (the “Operator”), for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services for the District.

Engineer

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

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 employed McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants (the “District's Auditor”) to audit its books of account for the period ended May 31, 2018. The results of such audit are included as APPENDIX A to this Official Statement. The District has engaged McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants (the “District's Auditor”) to audit its books of account for the period ended May 31, 2019.

Financial Advisor

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

Attorney

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

THE SYSTEM

Construction of the District's water, sanitary sewer and drainage system (the "System") has been financed from proceeds of the Outstanding Bonds and funds advanced by various developers within the District. The System has been constructed in accordance with the requirements, at the time of construction, of Harris County, the Harris County Flood Control District, the Commission and the City of Houston.

Water Supply

The District owns and operates two water plants. Water Plant No. 1 consists of one 1,500 gallons per minute ("gpm") water well, 840,000 gallons ground storage tank capacity, booster pumps totaling 4,500 gpm capacity, 40,000 gallons of pressure tank capacity, an emergency generator, an appurtenant equipment. Water Plant No. 2 consists of one 1,250 gpm water well, one 500,000 gallon ground storage tank, booster pumps totaling 3,000 gpm capacity, 20,000 gallons of pressure tank capacity, and emergency generator, and appurtenant equipment. According to the Engineer, the District's water supply facilities are capable of serving approximately 3,250 single family equivalent connections. According to the Engineer, the District's water supply facilities are adequate to serve the District at full development and build out, assuming current regulatory criteria and land use plans.

The District also has emergency water interconnect agreements with Harris County Municipal Utility District Nos. 132 and 153.

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 2001, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. Although the District is not included within the Authority's boundaries, it has entered into a Contract to be included within the Authority's GRP effective May 31, 2002. Pursuant to such Contract, the Authority will meet the requirements of the Subsidence District for surface water conversion on behalf of the District and the District will pay a fee to the Authority, based on water pumpage in the District, for meeting those requirements. 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 for future years, but anticipates the need to pass such fees through its customers in higher water and sewer rates. In addition, conversion to surface water could necessitate improvements to the District’s water supply system which could require issuance of additional bonds. In the event the Authority fails to reduce groundwater withdrawal to the levels specified in the 1999 plan by the deadlines established by the Subsidence District, then the District and others within the Authority’s GRP group will be required to pay a disincentive fee on withdrawn groundwater. This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This fee would be in addition to the Authority’s fee.

Source of Wastewater Treatment

Permanent wastewater treatment for the entire Atascocita and Walden on Lake Houston development (Harris County MUD Nos. 46, 109, 132, 151, 152 and 153) is being provided by the Atascocita Central Wastewater Treatment Plant (the "Regional Plant"), the cost of which, together with an interceptor sewer to convey waste to the Regional Plant, is shared on a pro rata basis (based on capacity) by the participating districts (which includes the districts listed above and Harris County MUD No. 106). The Regional Plant is operated by a joint operating board comprised of one member from each participating district known as the Atascocita Joint Operations Board. Charges for maintenance and operation of the Regional Plant are made on a pro rata basis as determined by the contract between the participating districts. The Regional Plant has a capacity of nine million gallons per day (gpd), of which the District owns 1,302,650 gpd of capacity, which is adequate to serve approximately 4,135 equivalent single family connections. According to the Engineer, the District’s wastewater treatment capacity is adequate to serve the District at full development and build out, assuming current regulatory criteria and present land use plans.

100-Year Flood Plain

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

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>
4/1/78 & 9/21/01	Water, Sanitary Sewer & Drainage	\$44,955,000	\$23,430,000	\$21,525,000
9/21/01	Refunding	\$26,605,000	\$415,000*	\$26,190,000

* Includes the Bonds.

FINANCIAL STATEMENT

2018 Certified Taxable Assessed Valuation.....	\$520,495,626 (a)
2019 Preliminary Taxable Assessed Valuation.....	\$573,796,415 (b)

District Debt

Outstanding Bonds (as of July 1, 2019).....	\$6,895,000
Less: Refunded Bonds	(4,095,000)
Plus: The Bonds	4,060,000

Gross Debt Outstanding \$6,860,000

Ratio of Gross Debt to:

2018 Certified Taxable Assessed Valuation	1.32%
2019 Preliminary Taxable Assessed Valuation	1.20%

Area of District – 787 Acres
Estimated 2019 population – 8,358 (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 value is subject to protest, review and downward adjustment prior to certification. See “TAX PROCEDURES.”
- (c) Based upon 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of July 24, 2019)

Debt Service Fund	Cash and Temporary Investments	\$428,798 (a)
General Fund	Cash and Temporary Investments	\$3,738,407

- (a) Excludes August 1, 2019 debt service payment in the amount of \$1,056,175. The District intends to use approximately \$10,000* of available debt service funds toward the purpose for which the Bonds are being sold. See “PLAN OF FINANCING” and “SOURCES AND USES OF FUNDS.” Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

Investments of the District

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

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds (as of July 1, 2019), the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2010 (a)	\$ 4,360,000	\$ 1,835,000	\$ 715,000	\$ 1,120,000
2012 (a)	7,630,000	5,060,000	3,380,000	1,680,000
Total	\$ 11,990,000	\$ 6,895,000	\$ 4,095,000	\$ 2,800,000
The Bonds				4,060,000
The Bonds and Remaining Outstanding Bonds				\$ 6,860,000

- (a) Unlimited Tax Refunding Bonds

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,050,758,022	6/30/2019	0.12%	\$ 2,460,910
Harris County Flood Control District.....	83,075,000	6/30/2019	0.12%	99,690
Harris County Hospital District.....	57,300,000	6/30/2019	0.12%	68,760
Harris County Department of Education.....	6,320,000	6/30/2019	0.12%	7,584
Port of Houston Authority.....	593,754,397	6/30/2019	0.12%	712,505
Humble Independent School District.....	650,325,000	6/30/2019	3.34%	21,720,855
Lone Star College System.....	609,845,000	6/30/2019	0.27%	1,646,582
Total Estimated Overlapping Debt.....				\$ 26,716,885
The District	6,860,000 (a)	Current	100.00%	6,860,000
Total Direct and Estimated Overlapping Debt.....				\$ 33,576,885
Ratio of Total Direct and Estimated Overlapping Debt to				
2018 Certified Taxable Assessed Valuation.....				6.45%
2019 Preliminary Taxable Assessed Valuation.....				5.85%

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

Overlapping Tax Rates for 2018

	2018 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.63517
Lone Star College System.....	0.10780
Humble Independent School District.....	1.52000
Harris County ESD No. 46.....	0.10000
The District.....	0.28000
Total Overlapping Tax Rate.....	\$ 2.64297

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2019 (a)	
				Amount	Percent
2014	\$ 411,715,359	\$ 0.36	\$ 1,481,852	\$ 1,479,544	99.84%
2015	458,170,460	0.34	1,557,753	1,554,924	99.82%
2016	492,557,023	0.31	1,526,915	1,522,442	99.71%
2017	513,033,589	0.29	1,487,786	1,481,788	99.60%
2018	520,484,547	0.28	1,457,345	1,434,170	98.41%

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

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.23	\$ 0.24	\$ 0.26	\$ 0.29	\$ 0.31
Maintenance and Operations	0.05	0.05	0.05	0.05	0.05
Total	\$ 0.28	\$ 0.29	\$ 0.31	\$ 0.34	\$ 0.36

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount)
 Maintenance: \$1.00 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, and such maintenance tax has been authorized by vote of the District's electors and is limited to a rate of \$1.00 per \$100 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. The District levied a maintenance tax for 2018 at the rate of \$0.05 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 does not exempt any percentage of the market value of any residential homesteads from taxation, or an exemption for resident homesteads of persons who are disabled or 65 years of age or older. Church and public school facilities located in the District are exempt from taxation by the District.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the 2018 Certified Taxable Assessed Valuation of \$520,495,626, which represents certified ownership as of January 1, 2018. Differences in totals may vary slightly from other information herein due to differences in dates of data. A principal taxpayer list related to the 2019 Preliminary Taxable Assessed Valuation is 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>
Zenda Channing Orleans Square LP	Shopping Center	\$ 14,870,000	2.86%
LTF Real Estate Company Inc.	Fitness Club	14,746,500	2.83%
Alpine West Lake LLC	Shopping Center	14,265,000	2.74%
Sona Colonnades LP	Shopping Center	10,919,005	2.10%
17903 West Lake Houston ICJV LLC	Medical Office	7,046,674	1.35%
LAACO Ltd	Storage Facility	6,063,253	1.16%
LY Star Investments LLC	Shopping Center	4,030,000	0.77%
Alpha Tecc LLC	Medical Office	3,527,438	0.68%
Panem Investments LLC	Gas Station	3,104,183	0.60%
Macameri LLC	Medical Office	2,417,161	0.46%
Total		\$ 80,989,214	15.56%

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2016 through 2018 Certified Taxable Assessed Valuations. Differences in totals may vary slightly from other information herein due to differences in dates of data. A breakdown related to the 2019 Preliminary Taxable Assessed Valuation is not available.

	<u>2018 Taxable Assessed Valuation</u>	<u>2017 Taxable Assessed Valuation</u>	<u>2016 Taxable Assessed Valuation</u>
Land	\$ 113,051,379	\$ 107,264,784	\$ 102,721,204
Improvements	478,871,344	474,332,814	454,253,251
Personal Property	16,175,132	17,190,913	17,536,360
Exemptions	(87,602,229)	(85,754,701)	(81,953,792)
Total	<u>\$ 520,495,626</u>	<u>\$ 513,033,810</u>	<u>\$ 492,557,023</u>

Tax Adequacy for Debt Service

The calculation shown below assumes, solely for purpose of illustration, no increase or decrease in assessed valuation over the 2018 Certified Assessed Valuation and 2019 Preliminary Taxable Assessed Valuation and utilizes a tax rate necessary to pay the District's maximum annual debt service requirement and average annual debt service requirement on the District's Remaining Outstanding Bonds and the Bonds.

Maximum Annual Debt Service Requirement (2021).....	\$1,113,719
\$0.23 Tax Rate on 2018 Certified Taxable Assessed Valuation of \$520,495,626 at 95% collections rate produces.....	\$1,137,283
\$0.21 Tax Rate on 2019 Preliminary Taxable Assessed Valuation of \$573,796,415 at 95% collections rate produces.....	\$1,144,724
Average Annual Debt Service Requirement (2020-2026)	\$937,911
\$0.19 Tax Rate on 2018 Certified Taxable Assessed Valuation of \$520,495,626 at 95% collections rate produces.....	\$939,495
\$0.18 Tax Rate on 2019 Preliminary Taxable Assessed Valuation of \$573,796,415 at 95% collections rate produces.....	\$981,192

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 Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

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

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

Additional Homestead Exemptions: The District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Further, the Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland. According to the District's Tax Assessor/Collector, as of January 1, 2019 no land within the District was designated for agricultural use, open space, inventory deferral, or timberland.

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

Reappraisal of Property after Disaster

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

Tax Abatement

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

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.

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 of the amount of the tax for the first calendar month it is delinquent, plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more 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

The District anticipates that it will be considered a Developed District beginning in the 2020 tax year. 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 local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2018". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Tax Payment Installments after Disaster

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

The Effect of FIRREA on Tax Collections of the District

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

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

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

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WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's 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 ending May 31, 2015 through 2018, and for the period ending May 31, 2019, from the District's bookkeeper. Reference is made to such statements and records for further and more complete information. See APPENDIX A hereto for the District's Audited Financial Statements for the fiscal year ended May 31, 2018.

	Fiscal Year Ended May 31				
	2019 (a)	2018	2017	2016	2015
REVENUES:					
Property Taxes	\$ 190,934	\$ 253,913	\$ 248,377	\$ 225,610	\$ 206,498
Water Service	488,179	441,259	451,150	434,885	418,644
Wastewater Service	401,916	413,829	405,667	411,071	398,984
Water Authority Fees	642,407	642,855	606,565	502,995	458,430
Penalty and Interest	25,561	28,816	32,931	32,949	24,753
Tap Connection and Inspection Fees	173,175	28,440	8,180	25,043	116,134
Sales Tax Revenues	354,882	375,637	361,171	345,169	300,227
Capital Recover Fees	-	-	108,964	142,383	5,473
Sale of Capacity	129,354	112,776	-	-	-
Miscellaneous Revenues	26,111	34,868	31,164	43,516	8,001
TOTAL REVENUES	\$ 2,432,519	\$ 2,332,393	\$ 2,254,169	\$ 2,163,621	\$ 1,937,144
EXPENDITURES:					
Professional Fees	\$ 109,506	\$ 78,942	\$ 58,088	\$ 71,355	\$ 71,525
Contracted Services	124,513	105,719	107,095	111,664	110,832
Purchased Wastewater Service	285,790	266,096	196,234	260,391	281,685
Utilities	59,436	47,565	104,526	79,042	71,174
Repairs and Maintenance	506,561	285,933	304,375	252,384	274,715
Water Authority Assessments	726,166	726,124	696,539	629,560	498,028
Other	171,492	143,273	103,489	96,453	133,153
Capital Outlay	164,074	193,038	-	162,915	-
Debt Service	-	-	1,148,204	-	-
TOTAL EXPENDITURES	\$ 2,147,537	\$ 1,846,690	\$ 2,718,550	\$ 1,663,764	\$ 1,441,112
NET REVENUES	\$ 284,983	\$ 485,703	\$ (464,381)	\$ 499,857	\$ 496,032
FUND BALANCE,					
BEGINNING OF YEAR	\$ 3,690,808	\$ 3,205,105	\$ 3,669,486	\$ 3,169,629	\$ 2,673,597
OTHER SOURCES/USES OF FUNDS	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, END OF YEAR	\$ 3,975,791	\$ 3,690,808	\$ 3,205,105	\$ 3,669,486	\$ 3,169,629

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

INVESTMENT CONSIDERATIONS

General

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

Recent Tropical Weather Events; Hurricane Harvey

The Houston area, including the District, is subject to occasional severe tropical weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. To the best knowledge of the District, the District's System did not sustain any material damage, there was no interruption of water and sewer service, and no homes or commercial improvements within the District experienced structural flooding or material damage as a result of Hurricane Harvey. See "THE SYSTEM."

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

Specific Flood Type Risks

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

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

Tax Collections Limitations and Foreclosure Remedies

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

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

Impact on District Tax Rates

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 \$520,495,626 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the maximum annual debt service requirement will be \$1,113,719 (2021), and the average annual debt service requirement will be \$937,911 (2020-2026). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.23 and \$0.19 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual and the average annual debt service requirements (see "DEBT SERVICE REQUIREMENTS"), respectively. The 2019 Preliminary Taxable Assessed Valuation is \$573,796,415 which reduces the above calculations to \$0.21 and \$0.18, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding 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. The District makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. See "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves the right to issue the remaining \$21,525,000 principal amount of unlimited tax bonds or combination unlimited tax and revenue bonds for purpose of purchasing, constructing, acquiring, owning, leasing, operating, repairing or extending facilities for a waterworks, sanitary sewer and drainage system, making certain contract payments, and paying various expenses of the District and the remaining \$26,190,000 unlimited tax bonds for refunding purposes, which have been authorized at elections held within the District, and such additional bonds as may be voted hereafter. The issuance of any future obligations may adversely affect the investment security of the Bonds. The District is not obligated to 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 to construct its utility facilities, must be approved by the Commission, the Attorney General of Texas and the Board of Directors of the District.

Continuing Compliance with Certain Covenants

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

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Marketability

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

The long-term rating on the Bonds is dependent in part on the financial strength of the insurer (the "Insurer") and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term rating of the Insurer and of the rating 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.

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 rating may be obtained from S&P.

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

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

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

Capitalization of AGM

At March 31, 2019:

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

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

Incorporation of Certain Documents by Reference

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

- (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 Opinions

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

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

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

TAX MATTERS

Tax Exemption

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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 \$4,232,720.51 (representing the principal amount of the Bonds of \$4,060,000.00, plus a net premium on the Bonds of \$209,002.75, less an Underwriter’s discount of \$36,282.24) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING” and “SOURCES AND USES OF FUNDS.”

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

Prices and Marketability

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

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

Securities Laws

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

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

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

Auditor: The District's audited financial statements for the year ended May 31, 2018, were prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's May 31, 2018, audited financial statement.

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 Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the SEC Rule 15c2-12(d)(2) exemption from the SEC 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 bond outstanding and no person is committed by contract or other arrangement with respect to the payment of the Bonds. In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data which is customarily prepared by the District and is publicly available. The financial and operating data which will be provided with respect to the District is found in Appendix A (District Audited Financial Statements). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2019.

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

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

Specified Event Notices

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12, with the exception of the following. Due to an administrative oversight, the District failed to timely file its annual financial and operating reports for the respective fiscal years ending May 31, 2017 and May 31, 2018. Respective event notices and audits were filed on May 31, 2019. The District has instituted procedures to avoid such administrative oversights in the future.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 152, as of the date shown on the cover page.

/s/ Charlie Crocker
President, Board of Directors

ATTEST:

/s/ Andrew T. Galeucia
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 152
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 152 (the "District"), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Harris County Municipal
Utility District No. 152

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 May 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

August 22, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

Management's discussion and analysis of Harris County Municipal Utility District No. 152's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The 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 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 two 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 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"). The 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 \$8,761,835 as of May 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land, water, wastewater and drainage facilities as well as the District's capacity interest in the Atascocita joint 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:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 5,603,408	\$ 5,073,110	\$ 530,298
Capital Assets (Net of Accumulated Depreciation)	<u>11,511,315</u>	<u>11,959,733</u>	<u>(448,418)</u>
Total Assets	<u>\$ 17,114,723</u>	<u>\$ 17,032,843</u>	<u>\$ 81,880</u>
Bonds Payable	\$ 8,006,727	\$ 8,948,050	\$ 941,323
Other Liabilities	<u>346,161</u>	<u>284,647</u>	<u>(61,514)</u>
Total Liabilities	<u>\$ 8,352,888</u>	<u>\$ 9,232,697</u>	<u>\$ 879,809</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,504,588	\$ 3,011,683	\$ 492,905
Restricted	1,560,205	1,577,467	(17,262)
Unrestricted	<u>3,697,042</u>	<u>3,210,996</u>	<u>486,046</u>
Total Net Position	<u>\$ 8,761,835</u>	<u>\$ 7,800,146</u>	<u>\$ 961,689</u>

The following table provides a summary of the District's operations for the years ended May 31, 2018, and May 31, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,473,582	\$ 1,535,456	\$ (61,874)
Charges for Services	1,566,934	1,513,793	53,141
Other Revenues	<u>413,906</u>	<u>394,080</u>	<u>19,826</u>
Total Revenues	<u>\$ 3,454,422</u>	<u>\$ 3,443,329</u>	<u>\$ 11,093</u>
Expenses for Services	<u>2,492,733</u>	<u>2,495,144</u>	<u>2,411</u>
Change in Net Position	\$ 961,689	\$ 948,185	\$ 13,504
Net Position, Beginning of Year	<u>7,800,146</u>	<u>6,851,961</u>	<u>948,185</u>
Net Position, End of Year	<u>\$ 8,761,835</u>	<u>\$ 7,800,146</u>	<u>\$ 961,689</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2018, were \$5,289,024, an increase of \$460,071 from the prior year.

The General Fund fund balance increased by \$485,703, primarily due to service, property tax, and sales tax revenues exceeding operating and administrative expenditures.

The Debt Service Fund fund balance decreased by \$25,632, primarily due to the structure of the District's outstanding debt requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$243,923 more than budgeted revenues primarily due to higher than expected sales tax revenues, service revenues, and unbudgeted sale of capacity in wastewater treatment facilities. Actual expenditures were \$117,260 less than budgeted expenditures primarily due to lower than anticipated capital outlay, professional fees, contracted services, purchased wastewater service, and utilities during the current fiscal year.

CAPITAL ASSETS

Capital assets as of May 31, 2018, total \$11,511,315 (net of accumulated depreciation) and include land and the District's capacity interest in joint facilities as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 196,101	\$ 196,101	\$
Construction in Progress	78,185		78,185
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,517,412	3,580,142	(62,730)
Wastewater System	2,636,356	2,744,198	(107,842)
Drainage System	3,852,631	4,028,731	(176,100)
Capacity Interest in Joint Facilities	1,230,630	1,410,561	(179,931)
Total Net Capital Assets	\$ 11,511,315	\$ 11,959,733	\$ (448,418)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$7,820,000. The changes in the debt position of the District during the year ended May 31, 2018, are summarized as follows:

Bond Debt Payable, June 1, 2017	\$ 8,740,000
Less: Bond Principal Paid	<u>920,000</u>
Bond Debt Payable, May 31, 2018	<u>\$ 7,820,000</u>

The District carries an underlying rating of "A+" by Standards and Poor's Rating Agency. The 2010 and 2012 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The ratings above reflect any changes through May 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 152, c/o Norton Rose Fulbright US L.L.P., 1301 McKinney Avenue, Suite 5100, Houston, TX 77010-3095.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,327,199	\$ 1,553,693
Investments	1,234,412	
Receivables:		
Property Taxes	6,234	37,274
Penalty and Interest on Delinquent Taxes		
Service Accounts	152,866	
Accrued Interest	6,696	
City of Houston	96,015	
Due from Atascocita Central Plant	20,194	
Due from Other Funds		54,638
Advance for Wastewater Pump Station and Force Main	2,011	
Advance for Regional Wastewater Treatment		
Plant Operations	153,866	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,999,493	\$ 1,645,605

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,880,892	\$	\$ 3,880,892
1,234,412		1,234,412
43,508		43,508
	12,948	12,948
152,866		152,866
6,696		6,696
96,015		96,015
20,194		20,194
54,638	(54,638)	
2,011		2,011
153,866		153,866
	196,101	196,101
	78,185	78,185
	<u>11,237,029</u>	<u>11,237,029</u>
<u>\$ 5,645,098</u>	<u>\$ 11,469,625</u>	<u>\$ 17,114,723</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 111,365	\$
Accrued Interest Payable		
Due to Other Funds	54,638	
Due to Taxpayers		10,115
Security Deposits	136,448	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 302,451	\$ 10,115
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 6,234	\$ 37,274
FUND BALANCES		
Nonspendable:		
Operating Advances	\$ 155,877	\$
Restricted for Debt Service		1,598,216
Unassigned	3,534,931	
TOTAL FUND BALANCES	\$ 3,690,808	\$ 1,598,216
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,999,493	\$ 1,645,605
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>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 111,365	\$ 88,233	\$ 111,365
54,638	(54,638)	88,233
10,115		10,115
136,448		136,448
	925,000	925,000
	<u>7,081,727</u>	<u>7,081,727</u>
<u>\$ 312,566</u>	<u>\$ 8,040,322</u>	<u>\$ 8,352,888</u>
<u>\$ 43,508</u>	<u>\$ (43,508)</u>	<u>\$ -0-</u>
\$ 155,877	\$ (155,877)	\$
1,598,216	(1,598,216)	
<u>3,534,931</u>	<u>(3,534,931)</u>	
<u>\$ 5,289,024</u>	<u>\$ (5,289,024)</u>	<u>\$ -0-</u>
<u>\$ 5,645,098</u>		
	\$ 3,504,588	\$ 3,504,588
	1,560,205	1,560,205
	<u>3,697,042</u>	<u>3,697,042</u>
	<u>\$ 8,761,835</u>	<u>\$ 8,761,835</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2018

Total Fund Balances - Governmental Funds	\$ 5,289,024
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	11,511,315
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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.	56,456
--	--------

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:

Accrued Interest Payable	\$ (88,233)	
Bonds Payable	<u>(8,006,727)</u>	<u>(8,094,960)</u>

Total Net Position - Governmental Activities	<u><u>\$ 8,761,835</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 253,913	\$ 1,219,255
Water Service	441,259	
Wastewater Service	413,829	
Water Authority Fees	642,855	
Penalty and Interest	28,816	10,482
Tap Connection and Inspection Fees	28,440	
Sales Tax Revenues	375,637	
Sale of Capacity	112,776	
Miscellaneous Revenues	34,868	3,401
TOTAL REVENUES	\$ 2,332,393	\$ 1,233,138
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 78,942	\$ 3,583
Contracted Services	105,719	43,244
Purchased Wastewater Service	266,096	
Utilities	47,565	
Repairs and Maintenance	285,933	
Water Authority Assessments	726,124	
Depreciation		
Other	143,273	16,674
Capital Outlay	193,038	
Debt Service:		
Bond Principal		920,000
Bond Interest		275,269
TOTAL EXPENDITURES/EXPENSES	\$ 1,846,690	\$ 1,258,770
NET CHANGE IN FUND BALANCES	\$ 485,703	\$ (25,632)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2017	3,205,105	1,623,848
FUND BALANCES/NET POSITION - MAY 31, 2018	\$ 3,690,808	\$ 1,598,216

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 1,473,168	\$ 414	\$ 1,473,582
441,259		441,259
413,829		413,829
642,855		642,855
39,298	1,253	40,551
28,440		28,440
375,637		375,637
112,776	(112,776)	
38,269		38,269
\$ 3,565,531	\$ (111,109)	\$ 3,454,422
\$ 82,525	\$	\$ 82,525
148,963		148,963
266,096		266,096
47,565		47,565
285,933		285,933
726,124		726,124
	528,680	528,680
159,947		159,947
193,038	(193,038)	
920,000	(920,000)	
275,269	(28,369)	246,900
\$ 3,105,460	\$ (612,727)	\$ 2,492,733
\$ 460,071	\$ (460,071)	\$
	961,689	961,689
4,828,953	2,971,193	7,800,146
\$ 5,289,024	\$ 3,472,811	\$ 8,761,835

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	460,071
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		414
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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.		1,253
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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.		(528,680)
--	--	-----------

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.		193,038
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The sale of capacity is shown as revenue in governmental funds but reduces the District's investment in joint facilities in governmental activities.		(112,776)
--	--	-----------

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.		920,000
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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.		28,369
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Change in Net Position - Governmental Activities	\$	<u>961,689</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 152 (the “District”) was created effective December 29, 1976, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, 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 subject to certain regulatory approvals, 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 March 28, 1977, and the first bonds were sold on March 6, 1979.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units. See Note 9 for information concerning the District’s participation in a regional sewage treatment plant.

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”).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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.

Fund Financial Statements

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

Governmental Funds

The District has two governmental funds and considers each to be major funds.

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.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2018, the General Fund owed the Debt Service Fund \$54,638 for the over-transfer of maintenance tax collections.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was 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 fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT

	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>
Amount Outstanding –May 31, 2018	\$ 2,220,000	\$ 5,600,000
Interest Rates	3.00% - 3.625%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2018/2023	August 1, 2018/2026
Interest Payment Dates	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2019*	August 1, 2019*

* Or any date thereafter, callable at the principal amount plus accrued interest from the date of the most recent interest payment date to the date fixed for redemption. Series 2012 term bonds maturing on August 1, 2020 are subject to mandatory redemption starting August 1, 2019.

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

	<u>June 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>May 31, 2018</u>
Bonds Payable	\$ 8,740,000	\$	\$ 920,000	\$ 7,820,000
Unamortized Discounts	(61,957)		(8,105)	(53,852)
Unamortized Premiums	270,007		29,428	240,579
Bonds Payable, Net	<u>\$ 8,948,050</u>	<u>\$ -0-</u>	<u>\$ 941,323</u>	<u>\$ 8,006,727</u>
			Amount Due Within One Year	\$ 925,000
			Amount Due After One Year	<u>7,081,727</u>
			Bonds Payable, Net	<u>\$ 8,006,727</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 925,000	\$ 253,525	\$ 1,178,525
2020	935,000	230,863	1,165,863
2021	915,000	207,881	1,122,881
2022	950,000	178,528	1,128,528
2023	940,000	142,768	1,082,768
2024-2027	<u>3,155,000</u>	<u>218,834</u>	<u>3,373,834</u>
	<u>\$ 7,820,000</u>	<u>\$ 1,232,399</u>	<u>\$ 9,052,399</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

As of May 31, 2018, the District had authorized but unissued bonds in the amount of \$21,525,000 for utility facilities and \$26,190,000 for refunding purposes. 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.

During the year ended May 31, 2018, the District levied an ad valorem debt service tax rate of \$0.24 per \$100 of assessed valuation, which resulted in a tax levy of \$1,233,416 on the adjusted taxable valuation of \$513,927,281 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$5,115,304 and the bank balance was \$5,216,909. 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 May 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,327,199	\$ 1,234,412	\$ 3,561,611
DEBT SERVICE FUND	1,553,693		1,553,693
TOTAL DEPOSITS	\$ 3,880,892	\$ 1,234,412	\$ 5,115,304

Investments

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

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

As of May 31, 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>		
Certificates of Deposit	\$ 1,234,412	\$ 1,234,412

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District records its investments in certificates of deposit at amortized cost. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC insurance. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions - All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2018:

	June 1, 2017	Increases	Decreases	May 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 196,101	\$	\$	\$ 196,101
Construction in Progress	<u> </u>	<u>193,038</u>	<u>114,853</u>	<u>78,185</u>
Total Capital Assets Not Being Depreciated	<u>\$ 196,101</u>	<u>\$ 193,038</u>	<u>\$ 114,853</u>	<u>\$ 274,286</u>
Capital Assets Subject to Depreciation				
Water System	\$ 6,435,483	\$ 114,853	\$	\$ 6,550,336
Wastewater System	4,880,957			4,880,957
Drainage System	7,934,251			7,934,251
Capacity Interest in Joint Facilities	<u>3,340,253</u>	<u> </u>	<u>112,776</u>	<u>3,227,477</u>
Total Capital Assets Subject to Depreciation	<u>\$ 22,590,944</u>	<u>\$ 114,853</u>	<u>\$ 112,776</u>	<u>\$ 22,593,021</u>
Accumulated Depreciation				
Water System	\$ 2,855,341	\$ 177,583	\$	\$ 3,032,924
Wastewater System	2,136,759	107,842		2,244,601
Drainage System	3,905,520	176,100		4,081,620
Capacity Interest in Joint Facilities	<u>1,929,692</u>	<u>67,155</u>	<u> </u>	<u>1,996,847</u>
Total Accumulated Depreciation	<u>\$ 10,827,312</u>	<u>\$ 528,680</u>	<u>\$ - 0 -</u>	<u>\$ 11,355,992</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,763,632</u>	<u>\$ (413,827)</u>	<u>\$ 112,776</u>	<u>\$ 11,237,029</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,959,733</u>	<u>\$ (220,789)</u>	<u>\$ 227,629</u>	<u>\$ 11,511,315</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. MAINTENANCE TAX

On April 1, 1978, the voters of the District approved the levy and collection of a maintenance tax of not more than \$1.00 per \$100 of assessed valuation of taxable property within the District. A maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended May 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.05 per \$100 of assessed valuation, which resulted in a tax levy of \$256,961 on the adjusted taxable valuation of \$513,927,281 for the 2017 tax year.

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

On February 16, 1982, the District entered into an Interim and Emergency Water Supply contract with Harris County Municipal Utility District No. 153 (District No. 153). This agreement was amended on August 8, 1983, October 15, 1985, February 10, 1992 and November 17, 1999.

On September 15, 2004, the District entered into an Amended and Restated Water Supply Contract with District No. 153. The contract was amended on December 18, 2013. The District will charge \$1.00 per 1,000 gallons of water plus a pumpage fee for emergency water service. This contract also states the District will continue to supply water to District No. 153 sufficient to serve the Atascocita Middle School at the rates for customers in the District. The term of this agreement is 40 years, but may be terminated by either district giving 180 days' notice of termination.

On May 4, 1987, the District entered into a contract with Harris County Municipal Utility District No. 132 (District No. 132) to provide emergency water supply services. The districts jointly operate and maintain the interconnect facilities. The amendment dated March 20, 2014, enables the district providing emergency water service for more than five days to either bill the receiving district at the out-of-district water service rate or to receive repayment in kind. For the first five days the water is required to be repaid in-kind. The agreement has been extended to June 1, 2037.

NOTE 9. SEWAGE TREATMENT OPERATIONS AND MAINTENANCE CONTRACTS

Harris County Municipal Utility District Nos. 46, 106, 109, 132, 151, 152 and 153 previously entered into a Waste Disposal Contract to operate and maintain a regional sewage treatment plant to serve surrounding areas. The agreement calls for each district to pay its pro rata share of operating costs of the plant based upon a budget of the estimated costs. The agreement provides for the establishment of a Joint Operations Board. The Joint Operations Board is responsible for adopting of a budget for both Exhibit B and C costs for the fiscal year June 1 through May 31 and determining the rates to be charged based upon the expected operating budgets. Exhibit B costs are insurance and maintenance of the plant and Exhibit C costs are costs related to the operation of the plant.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 9. SEWAGE TREATMENT OPERATIONS AND MAINTENANCE CONTRACTS (Continued)

On December 1, 2012, the participants in the plant executed a Fourth Amended and Restated Waste Disposal Contract whereby certain participants agreed to sell and assign capacity to Harris County Municipal Utility District No. 494 (District No. 494). The pro rata share of capacity is amended upon each sale. The term of the agreement ends August 1, 2048.

The participants, with the exception of District No. 109, entered into a separate Sanitary Sewer Line Contract to transport waste from the participating districts to the plant. The term of this agreement remains in effect so long as the Waste Disposal Contract is in effect. On December 1, 2012, the participants executed an amended Sanitary Sewer Line Contract which provides for the participants to sell capacity in the line to District No. 494. During the current year, District No. 494 purchased wastewater treatment plant capacity and capacity in the wastewater trunkline from the District for \$112,776.

As of May 31, 2018, the District's advance for operation and maintenance of the regional sewage treatment plant was \$153,866 and the District recorded a total of \$266,096 for its share of operating costs of the plant.

The following summary financial data of the Atascocita Central Plant is presented for the fiscal year ended May 31, 2018. A copy of the financial statements for the plant can be obtained by contacting Norton Rose Fulbright US L.L.P. at 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

	Joint Venture
Total Assets	\$ 1,353,758
Total Liabilities	<u>334,408</u>
Total Fund Balance	<u>\$ 1,019,350</u>
Total Revenues	\$ 1,755,890
Total Expenditures	<u>1,755,890</u>
Excess Revenues (Expenditures)	\$ -0-
Other Financing Sources (Uses)	
Reserve Adjustment	<u>\$ 56,500</u>
Net Change in Fund Balance	\$ 56,500
Fund Balance, Beginning of Year	<u>962,850</u>
Fund Balance, End of Year	<u>\$ 1,019,350</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 10. AGREEMENT FOR CONSTRUCTION, MAINTENANCE, SALE AND LEASE OF WASTEWATER PUMP STATION, FORCE MAIN AND SITE

On March 11, 1983, the District entered into an agreement with Harris County Municipal Utility District No. 153 to acquire, construct, operate and maintain a wastewater pump station and force main for the transportation of waste from the land within their boundaries to the Atascocita Central Sewage Treatment Plant. This agreement was amended on June 14, 2006. Under the terms of the agreement, each district agrees to pay its pro-rata share of the construction costs. District No. 153 will operate and maintain the facilities and each district will pay its pro-rata share of operating and maintenance costs. The term of the agreement is 40 years. As of May 31, 2018, the District's advance for operations and maintenance was \$2,011.

NOTE 11. GROUNDWATER REDUCTION PLAN PARTICIPATION AGREEMENT

On April 30, 2002, the District entered into a Groundwater Reduction Plan Participation Agreement with 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 (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 term of this agreement is 40 years.

The District agrees to pay the Authority a water well pumpage fee, based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The current fee charged is \$2.70 per 1,000 gallons of water pumped from each well. During the current year, the District paid pumpage fees of \$726,124.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement with the City of Houston, Texas. The Agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex 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, wastewater, and drainage system in the District.

The City imposes a Sales and Use Tax within the boundaries of the Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract within 30 days of the City receiving the funds from the State Comptroller’s office.

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 its effective date. During the year ended May 31, 2018, the District received \$375,637 in sales tax revenues, of which \$96,015 was recorded as a receivable at year-end.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 244,470	\$ 253,913	\$ 9,443
Water Service	460,000	441,259	(18,741)
Wastewater Service	395,000	413,829	18,829
Water Authority Fees	605,000	642,855	37,855
Penalty and Interest	35,000	28,816	(6,184)
Tap Connection and Inspection Fees	8,000	28,440	20,440
Sales Tax Revenues	335,000	375,637	40,637
Miscellaneous Revenues	6,000	147,644	141,644
TOTAL REVENUES	\$ 2,088,470	\$ 2,332,393	\$ 243,923
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 90,800	\$ 78,942	\$ 11,858
Contracted Services	118,000	105,719	12,281
Purchased Wastewater Service	300,000	266,096	33,904
Utilities	78,000	47,565	30,435
Water Authority Assessments	750,000	726,124	23,876
Repairs and Maintenance	240,000	285,933	(45,933)
Other	112,150	143,273	(31,123)
Capital Outlay	275,000	193,038	81,962
TOTAL EXPENDITURES	\$ 1,963,950	\$ 1,846,690	\$ 117,260
NET CHANGE IN FUND BALANCE	\$ 124,520	\$ 485,703	\$ 361,183
FUND BALANCE - JUNE 1, 2017	3,205,105	3,205,105	
FUND BALANCE - MAY 31, 2018	\$ 3,329,625	\$ 3,690,808	\$ 361,183

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved December 21, 2016.

	<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:	\$ 10.00	8,000	N	\$ 1.50 \$ 1.75	8,001 to 20,000 20,001 and up
WASTEWATER:	\$ 13.00		Y		
SURCHARGE: Regional Water Authority Fees			N	\$ 2.70	0,001 and up
District employs winter averaging for wastewater usage?					_____ <u> X </u> Yes No

Total monthly charges per 10,000 gallons usage: Water: \$13.00 Wastewater: \$13.00 Surcharge: \$27.00 Total: \$53.00

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 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"	2,395	2,382	x 1.0	2,382
1"	18	18	x 2.5	45
1½"	11	11	x 5.0	55
2"	32	32	x 8.0	256
3"			x 15.0	
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"	1	1	x 115.0	115
Total Water Connections	<u>2,461</u>	<u>2,448</u>		<u>3,033</u>
Total Wastewater Connections	<u>2,433</u>	<u>2,420</u>	x 1.0	<u>2,420</u>

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

Gallons pumped into system:	274,749,000	Water Accountability Ratio: 93% (Gallons billed/Gallons pumped)
Gallons billed to customers:	256,507,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 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, Texas

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

PROFESSIONAL FEES:	
Auditing	\$ 15,000
Engineering	13,562
Legal	50,380
TOTAL PROFESSIONAL FEES	<u>\$ 78,942</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 266,096</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,226
Operations and Billing	87,493
TOTAL CONTRACTED SERVICES	<u>\$ 105,719</u>
UTILITIES	<u>\$ 47,565</u>
REPAIRS AND MAINTENANCE	<u>\$ 285,933</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,550
Insurance	7,881
Office Supplies and Postage	32,400
Travel and Meetings	2,322
Other	16,235
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 70,388</u>
CAPITAL OUTLAY	<u>\$ 193,038</u>
TAP CONNECTIONS	<u>\$ 29,810</u>
OTHER EXPENDITURES:	
Chemicals	\$ 17,402
Laboratory Fees	11,282
Permit Fees	6,005
Inspection Fees	4,228
Water Authority Assessments	726,124
Regulatory Assessment	4,158
TOTAL OTHER EXPENDITURES	<u>\$ 769,199</u>
TOTAL EXPENDITURES	<u><u>\$ 1,846,690</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
INVESTMENTS
MAY 31, 2018

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX6254	0.90%	07/29/18	\$ 202,414	\$ 1,527
Certificate of Deposit	XXXX2127	1.10%	12/24/18	203,755	970
Certificate of Deposit	XXXX8603	1.00%	03/02/19	243,251	600
Certificate of Deposit	XXXX7218	1.30%	03/02/19	104,992	337
Certificate of Deposit	XXXX0567	1.35%	09/07/18	240,000	2,361
Certificate of Deposit	XXXX3741	1.65%	03/09/19	240,000	901
TOTAL GENERAL FUND				<u>\$ 1,234,412</u>	<u>\$ 6,696</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2017	\$	5,891	\$	37,203
Adjustments to Beginning				
Balance		<u>(2,705)</u>	\$	<u>3,186</u>
			<u>(14,090)</u>	\$
				23,113
Original 2017 Tax Levy	\$	243,633	\$	1,169,440
Adjustment to 2017 Tax Levy		<u>13,328</u>	<u>256,961</u>	<u>63,976</u>
TOTAL TO BE				<u>1,233,416</u>
ACCOUNTED FOR		\$	260,147	\$
				1,256,529
TAX COLLECTIONS:				
Prior Years	\$	169	\$	1,286
Current Year		<u>253,744</u>	<u>253,913</u>	<u>1,217,969</u>
				<u>1,219,255</u>
TAXES RECEIVABLE -				
MAY 31, 2018		<u>\$</u>	<u>6,234</u>	<u>\$</u>
				<u>37,274</u>
TAXES RECEIVABLE BY				
YEAR:				
2017		\$	3,217	\$
2016			909	15,447
2015			515	4,728
2014			449	2,986
2013			296	2,781
2012			211	2,441
2011			217	1,353
2010			174	1,517
2009			98	1,562
2008			75	878
2007			73	921
2006				929
2005				533
2004				593
				<u>605</u>
TOTAL		<u>\$</u>	<u>6,234</u>	<u>\$</u>
				<u>37,274</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 107,238,621	\$ 102,721,204	\$ 100,881,147	\$ 91,944,354
Improvements	475,232,657	461,269,868	422,890,004	384,489,717
Personal Property	16,931,863	16,816,185	16,736,865	15,963,643
Exemptions	<u>(85,475,860)</u>	<u>(80,615,583)</u>	<u>(79,962,526)</u>	<u>(76,243,178)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 513,927,281</u>	<u>\$ 500,191,674</u>	<u>\$ 460,545,490</u>	<u>\$ 416,154,536</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.24	\$ 0.26	\$ 0.29	\$ 0.31
Maintenance	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.29</u>	<u>\$ 0.31</u>	<u>\$ 0.34</u>	<u>\$ 0.36</u>
ADJUSTED TAX LEVY*	<u>\$ 1,490,377</u>	<u>\$ 1,550,583</u>	<u>\$ 1,565,843</u>	<u>\$ 1,498,145</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.75 %</u>	<u>99.64 %</u>	<u>99.78 %</u>	<u>99.78 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on April 1, 1978.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

SERIES - 2010 REFUNDING

Due During Fiscal Years Ending May 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2019	\$ 385,000	\$ 67,625	\$ 452,625
2020	380,000	55,913	435,913
2021	375,000	43,881	418,881
2022	365,000	31,628	396,628
2023	360,000	19,168	379,168
2024	355,000	6,434	361,434
2025			
2026			
2027			
	<u>\$ 2,220,000</u>	<u>\$ 224,649</u>	<u>\$ 2,444,649</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending May 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2019	\$ 540,000	\$ 185,900	\$ 725,900
2020	555,000	174,950	729,950
2021	540,000	164,000	704,000
2022	585,000	146,900	731,900
2023	580,000	123,600	703,600
2024	575,000	100,500	675,500
2025	920,000	70,600	990,600
2026	925,000	33,700	958,700
2027	380,000	7,600	387,600
	<u>\$ 5,600,000</u>	<u>\$ 1,007,750</u>	<u>\$ 6,607,750</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 925,000	\$ 253,525	\$ 1,178,525
2020	935,000	230,863	1,165,863
2021	915,000	207,881	1,122,881
2022	950,000	178,528	1,128,528
2023	940,000	142,768	1,082,768
2024	930,000	106,934	1,036,934
2025	920,000	70,600	990,600
2026	925,000	33,700	958,700
2027	380,000	7,600	387,600
	<u>\$ 7,820,000</u>	<u>\$ 1,232,399</u>	<u>\$ 9,052,399</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2018

Description	Original Bonds Issued	Bonds Outstanding June 1, 2017
Harris County Municipal Utility District No. 152 Unlimited Tax Refunding Bonds - Series 2010	\$ 4,360,000	\$ 2,585,000
Harris County Municipal Utility District No. 152 Unlimited Tax Refunding Bonds - Series 2012	<u>7,630,000</u>	<u>6,155,000</u>
TOTAL	<u><u>\$ 11,990,000</u></u>	<u><u>\$ 8,740,000</u></u>
 Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 44,955,000	\$ 26,605,000
Amount Issued	<u>23,430,000</u>	<u>415,000</u>
Remaining to be Issued	<u><u>\$ 21,525,000</u></u>	<u><u>\$ 26,190,000</u></u>
 Debt Service Fund cash and investment balances as of May 31, 2018:		<u><u>\$ 1,553,693</u></u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 1,005,822</u></u>

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

See accompanying independent auditor's report.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding May 31, 2018	Paying Agent
	Principal	Interest		
\$	\$ 365,000	\$ 78,419	\$ 2,220,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>555,000</u>	<u>196,850</u>	<u>5,600,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 920,000</u>	<u>\$ 275,269</u>	<u>\$ 7,820,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 253,913	\$ 248,377	\$ 225,610
Water Service	441,259	451,150	434,885
Wastewater Service	413,829	405,667	411,071
Water Authority Fees	642,855	606,565	502,995
Penalty and Interest	28,816	32,931	32,949
Tap Connection and Inspection Fees	28,440	8,180	25,043
Sales Tax Revenues	375,637	361,171	345,169
Sale of Capacity	112,776	108,964	142,383
Miscellaneous Revenues	34,868	31,164	43,516
TOTAL REVENUES	\$ 2,332,393	\$ 2,254,169	\$ 2,163,621
EXPENDITURES			
Professional Fees	\$ 78,942	\$ 58,088	\$ 71,355
Contracted Services	105,719	107,095	111,664
Purchased Wastewater Service	266,096	196,234	260,391
Utilities	47,565	104,526	79,042
Repairs and Maintenance	285,933	304,375	252,384
Water Authority Assessments	726,124	696,539	629,560
Other	143,273	103,489	96,453
Capital Outlay	193,038		162,915
Bond Principal		1,130,000	
Bond Interest		18,204	
TOTAL EXPENDITURES	\$ 1,846,690	\$ 2,718,550	\$ 1,663,764
NET CHANGE IN FUND BALANCE	\$ 485,703	\$ (464,381)	\$ 499,857
BEGINNING FUND BALANCE	3,205,105	3,669,486	3,169,629
ENDING FUND BALANCE	\$ 3,690,808	\$ 3,205,105	\$ 3,669,486

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2015	2014	2018	2017	2016	2015	2014		
\$ 206,498	\$ 153,397	11.0 %	11.0 %	10.4 %	10.6 %	7.8 %		
418,644	430,019	18.9	20.0	20.1	21.6	21.9		
398,984	402,514	17.7	18.0	19.0	20.6	20.5		
458,430	482,503	27.6	26.9	23.2	23.7	24.5		
24,753	39,244	1.2	1.5	1.5	1.3	2.0		
98,895	12,380	1.2	0.4	1.2	5.1	0.6		
300,227	290,829	16.1	16.0	16.0	15.5	14.8		
5,473	126,423	4.8	4.8	6.6	0.3	6.4		
25,240	29,067	1.5	1.4	2.0	1.3	1.5		
<u>\$ 1,937,144</u>	<u>\$ 1,966,376</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 71,525	\$ 81,414	3.4 %	2.6 %	3.3 %	3.7 %	4.1 %		
110,832	108,757	4.5	4.8	5.2	5.7	5.5		
281,685	243,076	11.4	8.7	12.0	14.5	12.4		
71,174	77,157	2.0	4.6	3.7	3.7	3.9		
274,715	214,193	12.3	13.5	11.7	14.2	10.9		
498,028	559,519	31.1	30.9	29.1	25.7	28.5		
133,153	122,521	6.1	4.6	4.5	6.9	6.2		
		8.3		7.5				
			50.1					
			0.8					
<u>\$ 1,441,112</u>	<u>\$ 1,406,637</u>	<u>79.1 %</u>	<u>120.6 %</u>	<u>77.0 %</u>	<u>74.4 %</u>	<u>71.5 %</u>		
\$ 496,032	\$ 559,739	<u>20.9 %</u>	<u>(20.6) %</u>	<u>23.0 %</u>	<u>25.6 %</u>	<u>28.5 %</u>		
<u>2,673,597</u>	<u>2,113,858</u>							
<u>\$ 3,169,629</u>	<u>\$ 2,673,597</u>							

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,219,255	\$ 1,292,773	\$ 1,305,347
Penalty and Interest	10,482	13,063	9,820
Miscellaneous Revenues	3,401	1,745	1,762
TOTAL REVENUES	\$ 1,233,138	\$ 1,307,581	\$ 1,316,929
EXPENDITURES			
Tax Collection Expenditures	\$ 62,251	\$ 57,255	\$ 62,180
Debt Service Principal	920,000	990,000	985,000
Debt Service Interest and Fees	276,519	323,693	370,174
TOTAL EXPENDITURES	\$ 1,258,770	\$ 1,370,948	\$ 1,417,354
NET CHANGE IN FUND BALANCE	(25,632)	(63,367)	(100,425)
BEGINNING FUND BALANCE	1,623,848	1,687,215	1,787,640
ENDING FUND BALANCE	\$ 1,598,216	\$ 1,623,848	\$ 1,687,215
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,448	2,448	2,446
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,420	2,420	2,417

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,281,896	\$ 1,255,753	98.8 %	98.9 %	99.1 %	98.8 %	97.2 %
11,347	26,461	0.9	1.0	0.8	0.9	2.0
3,767	9,959	0.3	0.1	0.1	0.3	0.8
<u>\$ 1,297,010</u>	<u>\$ 1,292,173</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,618	\$ 66,014	5.0 %	4.4 %	4.7 %	4.4 %	5.1 %
970,000	950,000	74.6	75.7	74.8	74.8	73.5
392,224	416,399	22.4	24.8	28.1	30.2	32.2
<u>\$ 1,418,842</u>	<u>\$ 1,432,413</u>	<u>102.0 %</u>	<u>104.9 %</u>	<u>107.6 %</u>	<u>109.4 %</u>	<u>110.8 %</u>
(121,832)	(140,240)	<u>(2.0) %</u>	<u>(4.9) %</u>	<u>(7.6) %</u>	<u>(9.4) %</u>	<u>(10.8) %</u>
<u>1,909,472</u>	<u>2,049,712</u>					
<u>\$ 1,787,640</u>	<u>\$ 1,909,472</u>					
<u>2,433</u>	<u>2,419</u>					
<u>2,405</u>	<u>2,395</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

District Mailing Address - Harris County Municipal Utility District No. 152
c/o Norton Rose Fulbright US L.L.P.
1301 McKinney Ave., Suite 5100
Houston, TX 77010-3095

District Telephone Number - (713) 651-5151

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended May 31, 2018</u>	<u>Expense Reimbursements for the year ended May 31, 2018</u>	<u>Title</u>
Kelly Cline	05/18 – 05/22 (Elected)	\$ 3,600	\$ 362	President
Ernest Bezdek	05/16 – 05/20 (Elected)	\$ 1,650	\$ 346	Vice President
Charlie Crocker	05/16 – 05/20 (Elected)	\$ 600	\$ 101	Secretary
Andrew Galeucia	06/16 – 05/20 (Appointed)	\$ 2,250	\$ 1,154	Assistant Secretary
Asdrubal Gutierrez	05/18 – 05/22 (Elected)	\$ -0-	\$ -0-	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.

The submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): July 24, 2014.

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 August 20, 2003. Fees of Office are the amounts actually paid to a Director during the District’s current period.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2018</u>	<u>Title</u>
Norton Rose Fulbright US L.L.P.	03/28/77	\$ 51,380	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/18/87	\$ 15,000	Auditor
Myrtle Cruz, Inc.	1981	\$ 19,722	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/20/96	\$ 2,671	Delinquent Tax Attorney
IDS Engineering Group	01/20/99	\$ 66,267	Engineer
Masterson Advisors LLC	05/23/18	\$ -0-	Financial Advisor
Mary Jarmon	05/19/04	\$ -0-	Investment Officer
Inframark Water & Infrastructure Services, LLC	08/01/95	\$ 447,560	Operator
Wheeler & Associates, Inc.	02/02/78	\$ 40,499	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