OFFICIAL STATEMENT DATED JULY 25, 2019

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

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (Underlying).......... "Baa3"
Moody's Investors Service, Inc. (AGM Insured) .... "A2"
S&P Global Ratings (AGM Insured) .... "AA"

$10,520,000
MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas, located within Harris County)
WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2019

Dated: August 1, 2019 **Due: March 1, as shown on inside cover**

The $10,520,000 Mount Houston Road Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds") are obligations of Mount Houston Road Municipal Utility District (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Houston, Texas, or any successor Paying Agent/Registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds is payable on March 1, 2020 and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED GUARANTY MUNICIPAL

The Bonds constitute the eighth series of waterworks and sewer system combination unlimited tax and revenue bonds issued by the District. Voters of the District have previously authorized $97,845,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds at elections held within the District on August 12, 1978, April 3, 1982, February 1, 2003 and November 7, 2017. Additionally, voters of the District authorized $103,950,000 principal amount of bonds for the purpose of refunding at elections held within the District of February 1, 2003 and November 7, 2017. The District has previously issued $24,870,000 principal amount of authorized waterworks and sewer system combination unlimited tax and revenue bonds and $18,410,000 principal amount of authorized refunding bonds. Following the issuance of the Bonds, the District will have $56,410,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and $102,065,000 principal amount of refunding bonds remaining authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District, and will further be payable from and secured by a pledge of the net revenues, if any, of the District's waterworks and sanitary sewer facilities (the "System"). The System is not expected to produce sufficient net revenues to make any significant contributions to future debt service payments.

The Bonds are offered when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery in Houston, Texas, on or about August 22, 2019.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$10,520,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019

$9,300,000 Serial Bonds

Maturity March 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 621645 (b)	Maturity March 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 621645 (b)
2020	$ 250,000	2.000%	1.450%	JT8	2032 (c)	$ 410,000	2.500%	2.800%	KF6
2021	280,000	3.000%	1.500%	JU5	2033 (c)	425,000	2.625%	2.850%	KG4
2022	285,000	3.000%	1.550%	JV3	2034 (c)	435,000	2.625%	2.900%	KH2
2023	300,000	2.000%	1.600%	JW1	2035 (c)	455,000	2.750%	2.950%	KJ8
2024	310,000	2.000%	1.650%	JX9	2036 (c)	470,000	2.750%	3.000%	KK5
2025	320,000	2.000%	1.750%	JY7	2037 (c)	485,000	3.000%	3.020%	KL3
2026 (c)	330,000	2.000%	2.000%	JZ4	2038 (c)	505,000	3.000%	3.030%	KM1
2027 (c)	345,000	2.000%	2.100%	KA7	2039 (c)	520,000	3.000%	3.040%	KN9
2028 (c)	355,000	2.000%	2.200%	KB5	2040 (c)	540,000	3.000%	3.050%	KP4
2029 (c)	365,000	2.000%	2.300%	KC3	2041 (c)	560,000	3.000%	3.060%	KQ2
2030 (c)	380,000	2.250%	2.600%	KD1	2042 (c)	580,000	3.000%	3.070%	KR0
2031 (c)	395,000	2.375%	2.700%	KE9					

$1,220,000 Term Bond

$1,220,000 Term Bond Due March 1, 2044 (c)(d), Interest Rate: 3.000% (Price: $98.629) (a), CUSIP No. 621645 KT6 (b)

(a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Initial Purchaser and may subsequently be changed. Accrued interest from August 1, 2019, is to be added to the price.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2025, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – Optional Redemption."

(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts as set forth herein under "THE BONDS – Redemption Provisions – Mandatory Redemption."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, resolutions, contracts, audits, and engineering and other related reports set forth in the 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 Robert W. Baird & Co. Incorporated, 1331 Lamar, Suite 1360, Houston, Texas 77010, the Financial Advisor to the District.

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE."

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Mount Houston Road Municipal Utility District (the "District") of its $10,520,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code; (ii) various elections held within the District; (iii) an order adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Order"); and (iv) an order of the Texas Commission on Environmental Quality ("TCEQ").

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.000000% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 2.993911%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER 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.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with 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; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. 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 offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should 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 jurisdictions.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At March 31, 2019:

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

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

Incorporation of Certain Documents by Reference

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

(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 "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 heading "BOND INSURANCE."

RATINGS

The Bonds have received an insured rating of "AA" from S&P solely in reliance upon the issuance of the policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, (telephone number (212) 208-8000) and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward 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.

The Bonds have received an insured rating of "A2" from Moody's solely in reliance upon the issuance of the policy by AGM at the time of delivery of the Bonds. Moody's has also assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody's, or the underlying rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer	Mount Houston Road Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas (the "County"). See "THE DISTRICT."
The Issue	$10,520,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds"). Interest accrues from August 1, 2019, and the Bonds mature on March 1 in the years 2020 through 2044, inclusive. Interest is payable March 1, 2020, and on each September 1 and March 1 thereafter until maturity or prior redemption.
Redemption	Bonds maturing on and after March 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District on March 1, 2025, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The Bond maturing on March 1, 2044 is a term bond that is also subject to the mandatory redemption provisions set out herein under "THE BONDS – Redemption Provisions – Mandatory Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District. The Bonds are further payable from and secured by a pledge of the net revenues, if any. See "Source of Payment – Net Revenues." The Bonds are obligations solely of the District and are not obligations of the State of Texas, the County, the City of Houston, Texas (the "City"), or any entity other than the District. See "THE BONDS – Sources of Payment."
Use of Proceeds	Proceeds of the Bonds will be used to redeem the $5,914,204 Bond Anticipation Note, Series 2018 (the "BAN"), the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the costs to construct certain water supply, sanitary sewer, and drainage facilities serving the District and costs of impact fees paid to the City for surface water. Proceeds from the Bonds will also be used to reimburse the Developer for expenditures that were not reimbursed by the BAN, to pay developer interest, and among other items, to pay costs of issuance of the BAN and the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Not Qualified Tax-Exempt Obligations	The District has <u>not</u> designated the Bonds as "qualified tax-exempt obligations." See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."
Payment Record	The Bonds represent the eighth series of bonds issued by the District for the purpose of providing waterworks, sanitary and drainage facilities to serve the property within the District. The District has never defaulted on the timely payment of principal of and interest on its Outstanding Bonds (defined herein). See "THE BONDS – Sources of Payment."

Outstanding Bonds .... The District has previously issued seven separate series of waterworks and sewer system combination unlimited tax and revenue bonds; aggregating $24,870,000 in principal amount. In addition, the District has previously issued three series of waterworks and sewer system combination unlimited tax and revenue refunding bonds; aggregating $18,410,000 in principal amount. As of June 15, 2019, $18,850,000 principal amount of bonds remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds, and - Authority for Issuance."

Authority of Issuance.. The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code; (ii) various elections held within the District; (iii) an order adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Order"); and (iv) an order of the Texas Commission on Environmental Quality ("TCEQ").

Legal Opinion .... Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.

Financial Advisor... Robert W. Baird & Co. Incorporated, Houston, Texas.

Bond Insurance .... Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE."

Ratings.. Moody's Investors Service, Inc. (Underlying): "Baa3." S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. (AGM Insured): "A2." See "RATINGS."

THE DISTRICT

Description.. Mount Houston Road Municipal Utility District, a political subdivision of the State of Texas, is located entirely within the County, approximately 10 miles north of the central business district of the City, west of Veterans Memorial Blvd., east of West Montgomery Road and is split by West Mount Houston Road (SH 249), contains approximately 842 acres, and lies wholly within the exclusive extraterritorial jurisdiction of the City. See "THE DISTRICT – General, and – Description."

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

Development .... To date, of the 841.8 acres within the District, there are approximately 597.3 acres that have been developed with water distribution, sanitary sewer and storm drainage facilities, 70.5 acres that are undevelopable, 81.2 acres for roadways, 34.5 acres for drainage and detention, and approximately 58.3 acres remaining to be developed.

Approximately 389.3 acres of the land within the District have been developed for residential use as the subdivisions of Granada, Section 1; Willow Springs, Sections 1-8; Westview Landing Sections 1-5; Pine Valley Meadows, Section 1 and Villa North. As of June 17, 2019, the District contained 1,526 completed occupied homes, 10 completed and unoccupied homes, 65 homes under construction and 89 vacant developed lots.

Approximately 165.0 acres have been developed for commercial and other uses. Commercial development in the District is comprised of a recreation center (approximately 2.2 acres), combination office/warehouse space (approximately 219,923 sq. ft.), office space (approximately 1,764 sq. ft.), retail shopping (approximately 62,260 sq. ft.) and warehouse space (approximately 39,523 sq. ft.). The District also includes an approximately 34 acre (296 lots) mobile home park. See "THE DISTRICT – Status of Development."

Current Developer .... The current developer of the land in the District is KB Home Lone Star, Inc., a Texas corporation ("KB Home" or the "Developer"). KB Home is a publicly traded company on the New York Stock Exchange and a national homebuilder. For more information, visit www.kbhome.com.

Pine Valley Development Corporation ("PVDC") developed Pine Valley Meadows, Section 1 and Villa North Subdivisions. PVDC transferred ownership of all property to Texas Community Bank, whose successor in interest is Spirit of Texas Bank SSB, by deed in lieu of foreclosure in 2008. Spirit of Texas Bank SSB sold its remaining interest in residential lots to Mainstay (US) LLC, dba Pacrim LLC, which retained 17 lots and sold 67 lots to LGI Homes – Texas, LLC in Villa North. Spirit of Texas Bank SSB retained ownership of the common open space area in Villa North. The District currently owns 5 lots in Pine Valley Meadows, Section 1 through tax foreclosure. See "THE DEVELOPER."

Active Homebuilders .... KB Home is currently building homes in the subdivision of Westview Landing. Homes range in price from $169,995 to $212,495 and 1,454 to 2,961 in square footage. See "THE DISTRICT – Active Homebuilders."

Hurricane Harvey.. The District is located approximately seventy (70) miles from the Texas Gulf Coast which, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast and severely impacted numerous localities in the region. According to the District's engineer, Hurricane Harvey caused flooding of approximately 20 homes in the District but Hurricane Harvey did not cause any damage to or interruption of the District's utility system. See "INVESTMENT CONSIDERATIONS – "Recent Extreme Weather Events/Hurricane Harvey."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2018 Taxable Assessed Valuation (100% of market value as of January 1, 2018) See "TAX DATA" and "TAXING PROCEDURES."	$ 212,468,922	(a)
2019 Preliminary Valuation (100% of market value as of January 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."	$ 271,789,614	(b)
Estimated Valuation as of June 1, 2019 (100% of estimated market value as of June 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."	$ 285,669,937	(c)
Direct Debt:		
Outstanding Bonds (as of June 15, 2019)	$ 18,850,000	
The Bonds	10,520,000	
Total	$ 29,370,000	
Estimated Overlapping Debt	$ 13,219,221	(d)
Total Direct and Estimated Overlapping Debt	$ 42,589,221	
Ratio of Direct Debt to: 2018 Taxable Assessed Valuation ($212,468,922)	13.82 %	
2019 Preliminary Valuation ($271,789,614)	10.81 %	
Estimated Valuation as of June 1, 2019 ($285,669,937)	10.28 %	
Ratio of Direct and Estimated Overlapping Debt to: 2018 Taxable Assessed Valuation ($212,468,922)	20.04 %	
2019 Preliminary Valuation ($271,789,614)	15.67 %	
Estimated Valuation as of June 1, 2019 ($285,669,937)	14.91 %	
Debt Service Fund (as of June 20, 2019)	$ 1,255,346	(e)
Operating Fund (as of June 20, 2019)	$ 6,071,544	
Capital Projects Fund (as of June 20, 2019)	$ 3,044,090	
2018 Tax Rate		
Debt Service	$ 0.62	
Maintenance & Operation	0.68	
Total	$ 1.30	(f)
Average Annual Debt Service Requirements (2020-2044)	$ 1,595,857	(g)
Maximum Annual Debt Service Requirements (2036)	$ 2,138,975	(g)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirements of $1,595,857 (2020-2044) based on:		
2018 Taxable Assessed Valuation ($212,468,922) at 95% tax collections	$ 0.80	
2019 Preliminary Valuation ($271,789,614) at 95% tax collections	$ 0.62	
Estimated Valuation as of June 1, 2019 ($285,669,937) at 95% tax collections	$ 0.59	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements of $2,138,975 (2036) based on:		
2018 Taxable Assessed Valuation ($212,468,922) at 95% tax collections	$ 1.06	
2019 Preliminary Valuation ($271,789,614) at 95% tax collections	$ 0.83	
Estimated Valuation as of June 1, 2019 ($285,669,937) at 95% tax collections	$ 0.79	

(a) As certified by the Appraisal District (defined herein). See "TAXING PROCEDURES."
(b) Provided by the Appraisal District as the preliminary value on January 1, 2019. Represents the preliminary determination of the taxable value in the District as of January 1, 2019. This preliminary value is subject to protest by the landowners. The value will be

certified by the Appraisal District and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2019 and the preliminary value provided herein. No taxes will be levied on the preliminary value.

(c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2018 to June 1, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Estimated Overlapping Debt."

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the debt service fund. At the time of closing, accrued interest from August 1, 2019, to the date of delivery will be deposited to this fund.

(f) The District levied a 2018 tax rate of $0.62 for debt services purposes and $0.68 for maintenance purposes. The TCEQ has recommended the District levy a debt service tax rate of $0.84 per $100 of assessed valuation in the first tax year following the issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum effective interest rate of 4.95%.

(g) See "DISTRICT DEBT –Debt Service Requirements."

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Official Statement

relating to

$10,520,000

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT

(A Political Subdivision of the State of Texas, located within Harris County)

Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Mount Houston Road Municipal Utility District (the "District"), of its $10,520,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code; (ii) various elections held within the District; (iii) an order adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Order"); and (iv) an order of the Texas Commission on Environmental Quality ("TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056.

The Bonds are dated August 1, 2019, with interest payable on March 1, 2020, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on March 1 of the years shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owner(s)") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") 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.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC 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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", together with any Direct Participant, the "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 purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 the 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-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 the Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only form, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the book-entry-only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

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Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are as follows:

Election Date	Amount Authorized	Purpose	Issued to Date	The Bonds	Remaining Unissued
August 12, 1978	$ 8,000,000	Water, Sewer and Drainage	$ 1,955,000	$ -0-	$ -0-*
April 3, 1982	6,045,000	Water, Sewer and Drainage	6,045,000	-0-	-0-
April 3, 1982	14,500,000	Water, Sewer and Drainage	3,335,000	10,520,000	645,000
February 1, 2003	20,800,000	Water, Sewer and Drainage	13,535,000	-0-	7,265,000
November 7, 2017	48,500,000	Water, Sewer and Drainage	-0-	-0-	48,500,000
	$ 97,845,000		$ 24,870,000	$10,520,000	$ 56,410,000
February 1, 2003	$ 31,200,000	Refunding	1,885,000	-0-	$ 29,315,000
November 7, 2017	72,750,000	Refunding	-0-	-0-	$ 72,750,000
	$103,950,000		$ 1,705,031	-0-	$102,065,000

* $6,045,000 from the 1978 election was cancelled upon new authorization of the same amount in the 1982 election.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

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

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Outstanding Bonds

The District has previously issued the following bonds:

Series	Principal Amount	Outstanding as of June 15, 2019
Series 1979	$ 1,755,000	$ -0-
Series 1980	200,000	-0-
Series 1982	1,470,000	-0-
Series 1996 (a)	2,345,000	-0-
Series 2004	3,390,000	-0-
Series 2009	8,430,000	-0-
Series 2011	5,105,000	150,000
Series 2014 (a)	9,800,000	8,580,000
Series 2016	4,520,000	4,155,000
Series 2017 (a)	6,265,000	5,965,000
	$ 43,280,000	$ 18,850,000

(a) Refunding Bonds.

As of June 15, 2019, $18,850,000 principal amount of Bonds remain outstanding (the "Outstanding Bonds").

Sources of Payment

- Taxes -

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

- Net Revenues -

The Bonds and the Outstanding Bonds are further secured by a first lien on and pledge of certain net revenues, if any, of the District's waterworks and sanitary sewer facilities (the "System"). Net revenues are defined in the Bond Order as all income or increment which may grow out of the ownership and operation of the District's System, and all extensions and replacements thereof and improvements thereto whensoever made, less such portion of revenue income as may reasonably be required to provide for the administration of the District and the efficient operation and adequate maintenance of said System and further, less and except for that part of the District's revenue income which may be derived from contracts with private corporations, municipalities, or political subdivisions, which under the terms of the authorizing resolutions or orders may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contract ("Net Revenues"). The existence of Net Revenues is entirely dependent upon the sale of water and sewer services to residents and users in the District. It is not expected that the operation of the System will produce Net Revenues sufficient to make any significant contribution to the District's debt service requirements. See "INVESTMENT CONSIDERATIONS – Production of Net Revenues."

Redemption Provisions

- Optional Redemption -

The Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2025, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part, but only in integral multiples of $5,000. Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular 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 is required to select the Bonds of such maturity to be redeemed by lot.

- Mandatory Redemption -

The Bond maturing on March 1 in the year 2044 is a term bonds (the "Term Bond")and is also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on March 1 in the years set out below ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reductions as described below, at a redemption price of par plus accrued interest to the date of redemption:

$1,220,000 Term Bonds Maturing on March 1, 2044

Mandatory Redemption Date	Principal Amount
March 1, 2043	$ 600,000
March 1, 2044 (Maturity)	$ 620,000

The principal amount of the Term Bond required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds which, at least thirty (30) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Districts' debt service fund at a price not exceeding the principal amount of the Term Bond plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Annexation

The District lies within the extraterritorial jurisdiction of the City of Houston, Texas (the "City").

Under Texas law, the territory within the District may be annexed in whole, but not in part, by the City without the consent of the District or its residents. If annexation by the City does occur, the District would be abolished within 90 days after annexation. When the District is abolished, the City must assume the assets, functions and obligations of the District including the Bonds. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

The District is authorized to enter into a Strategic Partnership Agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation.

Consolidation

Under Texas law, the District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the Net Revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its System with other systems, but the District currently has no plans to do so.

Defeasance

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

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

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

Issuance of Additional Debt

The District may issue additional bonds with the approval necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of $97,845,000 waterworks and sewer system combination unlimited tax and revenue bonds and $103,950,000 waterworks and sewer system combination unlimited tax and revenue refunding bonds, and could authorize additional amounts. The Bonds are the eighth series of unlimited tax and revenue bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District. Following the issuance of the Bonds, $56,410,000 waterworks and sewer system combination unlimited tax and revenue bonds will remain authorized but unissued and $102,065,000 waterworks and sewer system combination unlimited tax and revenue refunding bonds will remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board). After the issuance of the Bonds, the District will still owe the Developer (defined herein) approximately $4,315,000.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, Pape-Dawson Engineers, Inc. (the "Engineer"), following the issuance of the Bonds the remaining $56,410,000 principal amount of authorized but unissued bonds will be sufficient to fully finance the remaining undeveloped but developable land within the District.

The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of bonds which it may issue. See "INVESTMENT CONSIDERATIONS - Future Debt."

Additional Covenants

In the Bond Order, the District has additionally covenanted that it will (1) maintain insurance on the System of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating similar facilities; (2) maintain the System in good condition and operate it in an efficient manner and at a reasonable cost; (3) keep records and accounts and employ an independent certified public account of recognized integrity and ability to audit its affairs at the close of each fiscal year, such audit to be in accordance with applicable laws, rules and regulations, and open to inspection in the office of the District; and (4) secure the funds in the debt service fund in the manner and to the fullest extent required by law for the security of District funds.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, 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, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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. Under Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to redeem the $5,914,204 Bond Anticipation Note, Series 2018 (the "BAN"), the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the costs to construct certain water supply, sanitary sewer, and drainage facilities serving the District and costs of impact fees paid to the City for surface water. Proceeds from the Bonds will also be used to reimburse the Developer for expenditures that were not reimbursed by the BAN, to pay developer interest, and among other items, to pay costs of issuance of the BAN and the Bonds.

	District's Share
<u>Construction Costs</u>	
A. Developer Contribution Items	
1. Westview Landing Section 2 – W, WW & D	$ 915,132
2. Westview Landing Section 3 – W, WW & D	1,416,901
3. Willow Springs Section 6, Phase 1 – W,WW & D	1,367,839
4. Willow Springs Section 6, Phase 2 – W,WW & D	389,146
5. Willow Springs Section 6, Partial Replat – W,WW & D	117,578
6. Willow Springs Detention Pond Phase 2	909,935
7. T.C. Jester Boulevard Extension Offsite Drainage	206,176
8. Engineering for Items No. 1 – 7	811,836
9. Geotechnical & SWPPP for Items No. 1 – 7	216,213
10. Engineering, Geotech, etc. for Westview Landing Section 1 – W, WW & D	150,685
11. Geotechnical Reports	35,166
Total Developer Contribution Items	$ 6,536,607
B. District Contribution Items	
1. Remaining Costs for Lift Station No. 5 and Force Main	$ 230,971
2. Lift Station No. 3 Rehabilitation and Force Main Replacement	191,538
3. Water Impact Fees	483,431
Total District Contribution Items	$ 905,940
TOTAL CONSTRUCTION COSTS	**$ 7,442,547**
<u>Non-Construction Costs</u>	
A. Legal Fees	$ 278,000
B. Fiscal Agent Fees	210,400
C. Interest	
1. Developer Interest	1,810,588
2. BAN Interest	116,674
D. Bond Discount	315,600
E. Bond Issuance Expenses	49,354
F. Bond Application Report Costs	65,000
G. BAN Issuance Costs	135,822
H. Attorney General Fee	9,500
I. TCEQ Bond Issuance Fee	26,300
J. Contingency (a)	60,215
TOTAL NONCONSTRUCTION COSTS	**$ 3,077,453**
TOTAL BOND ISSUE REQUIREMENT	**$ 10,520,000**

(a) Contingency represents the difference between the actual and estimated amount of BAN interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2018 Taxable Assessed Valuation		$ 212,468,922	(a)
(100% of market value as of January 1, 2018) See "TAX DATA" and "TAXING PROCEDURES."			
2019 Preliminary Valuation		$ 271,789,614	(b)
(100% of market value as of January 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."			
Estimated Valuation as of June 1, 2019		$ 285,669,937	(c)
(100% of estimated market value as of June 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."			
Direct Debt:			
Outstanding Bonds (as of June 15, 2019)		$ 18,850,000	
The Bonds		10,520,000	
Total		$ 29,370,000	
Estimated Overlapping Debt		$ 13,219,221	(d)
Total Direct and Estimated Overlapping Debt		$ 42,589,221	
Ratio of Direct Debt to:	2018 Taxable Assessed Valuation ($212,468,922)	13.82 %	
	2019 Preliminary Valuation ($271,789,614)	10.81 %	
	Estimated Valuation as of June 1, 2019 ($285,669,937)	10.28 %	
Ratio of Direct and Estimated Overlapping Debt to:	2018 Taxable Assessed Valuation ($212,468,922)	20.04 %	
	2019 Preliminary Valuation ($271,789,614)	15.67 %	
	Estimated Valuation as of June 1, 2019 ($285,669,937)	14.91 %	
Debt Service Fund (as of June 20, 2019)		$ 1,255,346	(e)
Operating Fund (as of June 20, 2019)		$ 6,071,544	
Capital Projects Fund (as of June 20, 2019)		$ 3,044,090	

(a) As certified by the Appraisal District (defined herein). See "TAXING PROCEDURES."
(b) Provided by the Appraisal District as the preliminary value on January 1, 2019. Represents the preliminary determination of the taxable value in the District as of January 1, 2019. This preliminary value is subject to protest by the landowners. The value will be certified by the Appraisal District and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2019 and the preliminary value provided herein. No taxes will be levied on the preliminary value.
(c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2018 to June 1, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
(d) See "DISTRICT DEBT – Estimated Overlapping Debt."
(e) Neither Texas law nor the Bond Order (defined herein) requires that the District maintain any particular sum in the debt service fund. At the time of closing, accrued interest from August 1, 2019, to the date of delivery will be deposited to this fund.

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Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Debt as of May 31, 2019	Percent	Overlapping Amount
Aldine Independent School District	$ 1,052,075,000	1.07 %	$ 11,238,678
Harris County	2,050,758,022	0.05	966,910
Harris County Department of Education	6,320,000	0.05	2,980
Harris County Flood Control	83,075,000	0.05	39,169
Harris County Hospital District	57,300,000	0.05	27,016
Port of Houston Authority	609,845,000	0.05	662,611
Lone Star College System District	593,754,397	0.11	279,949
Total Estimated Overlapping Debt			$ 13,219,221
The District			$ 29,370,000 (a)
Total Direct & Estimated Overlapping			$ 42,589,221 (a)

(a) Includes the Bonds.

Debt Ratios

	2018 Taxable Assessed Valuation	2019 Preliminary Valuation	Estimated Valuation as of June 1, 2019
Direct Debt (a)	13.82 %	10.81 %	10.28 %
Total Direct and Estimated Overlapping Debt (a)	20.04 %	15.67 %	14.91 %

(a) Includes the Bonds.

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Debt Service Requirements

The following schedules set forth the current total debt service requirements of the Outstanding Bonds, plus the principal and interest requirements on the Bonds.

Year Ending December 31	Outstanding Bonds	The Bonds		Total Debt Service
		Principal	Interest	
2019	$ 301,528	–	–	$ 301,528
2020	1,353,509	$ 250,000	$ 297,522	1,901,032
2021	1,353,400	280,000	267,744	1,901,144
2022	1,353,250	285,000	259,269	1,897,519
2023	1,367,338	300,000	251,994	1,919,331
2024	1,368,981	310,000	245,894	1,924,875
2025	1,373,763	320,000	239,594	1,933,356
2026	1,381,484	330,000	233,094	1,944,578
2027	1,380,528	345,000	226,344	1,951,872
2028	1,381,103	355,000	219,344	1,955,447
2029	1,385,016	365,000	212,144	1,962,159
2030	1,392,063	380,000	204,219	1,976,281
2031	1,397,363	395,000	195,253	1,987,616
2032	1,400,872	410,000	185,438	1,996,309
2033	1,402,663	425,000	174,734	2,002,397
2034	1,504,891	435,000	163,447	2,103,338
2035	1,516,469	455,000	151,481	2,122,950
2036	1,530,213	470,000	138,763	2,138,975
2037	263,150	485,000	125,025	873,175
2038	261,175	505,000	110,175	876,350
2039	263,975	520,000	94,800	878,775
2040	261,550	540,000	78,900	880,450
2041	263,900	560,000	62,400	886,300
2042	–	580,000	45,300	625,300
2043	–	600,000	27,600	627,600
2044	–	620,000	9,300	629,300
Total	$25,458,181	$10,520,000	$4,219,776	$40,197,957

Average Annual Requirements: (2020-2044).. $ 1,595,857
Maximum Requirement: (2036).. $ 2,138,975

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TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas Property Tax Code (the "Property Code") relating to the District's ability to levy and collect property taxes on property within the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. Reference is made to the Property Tax Code for more complete information, including the identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem tax purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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 sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, 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 above under "THE BONDS - Sources of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. The District levied a maintenance and operation tax of $0.68 per $100 of assessed value and a debt service tax of $0.62 per $100 assessed value in 2018. See "TAX DATA – Tax Rate Limitation."

Property Code and County-wide Appraisal District

The Property Code specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein.

The Property 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 Harris County Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within Harris County, Texas (the "County"), including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption is transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

For the 2018 tax year, the District issued a $15,000 exemption for homesteads of persons 65 years or older and certain disabled persons.

***Residential Homestead Exemptions**:* The Property Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent 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 District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Property Code, which is effective for tax year 2019 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2019 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Property Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has not taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, either the County and/or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. None of the area within the District has been designated as a reinvestment zone to date, and the District has not approved any such tax abatement agreements.

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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property 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 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

Subject to approval of a Constitutional Amendment at an election to be held November 5, 2019, individuals in an area are declared to be a disaster area by the Governor may apply for a temporary tax exemption for qualified property.

Notice and Hearing Procedures

The Property Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. If the proposed combined debt service, operation and maintenance and contract tax rates imposes a tax more than 1.08 times the amount of tax imposed in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead, disregarding any homestead exemption available to the disabled or persons 65 years of age or older, the qualified voters of the taxing jurisdiction by petition of ten percent of the registered voters in the taxing jurisdiction may require that an election be held to determine whether to reduce the operation and maintenance tax to the rollback tax rate.

District and Taxpayer Remedies

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

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

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 Property Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

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

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, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, has the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 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. 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 two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, without legal limitation as to rate or amount, for operation and maintenance purposes. The Board levied a 2018 tax rate for debt service purposes of $0.62 per $100 of assessed valuation and $0.68 per $100 of assessed valuation for operation and maintenance purposes for a total tax rate of $1.30 per $100 assessed value.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	Unlimited (no legal limit as to rate or amount).

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Historical Tax Collections

The following table illustrates the collection history of the District from the 2014-2018 tax years:

Tax Year	Assessed Valuation	Tax Rate/ $100 (a)	Adjusted Levy	Current Year	Tax Year Ending 9/30	As of 05/31/19
2014	$ 152,501,560	$ 1.300000	$ 1,982,520	97.63 %	2015	99.34 %
2015	170,223,204	1.300000	2,212,902	97.10	2016	99.40
2016	182,246,668	1.300000	2,369,207	98.14	2017	99.17
2017	186,299,102	1.300000	2,421,888	98.45	2018	98.83
2018	212,468,922	1.300000	2,762,096	97.47 (b)	2019	97.47 (b)

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.
(b) In process of collection. As of April 30, 2019.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$0.620	$0.790	$0.800	$0.655	$0.875
Maintenance	0.680	0.510	0.500	0.645	0.425
	$1.300	$1.300	$1.300	$1.300	$1.300

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2014-2018 tax years by type of property.

Type of Property	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation	2014 Assessed Valuation
Land	$ 59,153,850	$ 50,733,945	$ 48,461,143	$ 47,123,538	$ 45,412,654
Improvements	198,158,476	155,825,201	139,143,641	126,459,834	102,243,741
Personal Property	7,278,220	7,855,839	22,492,940	20,016,847	19,329,380
Less: Exemptions	(52,121,624)	(28,115,883)	(27,851,056)	(23,377,015)	(14,484,215)
Total	$ 212,468,922	$ 186,299,102	$182,246,668	$170,223,204	$152,501,560

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Principal Taxpayer

The following represents the principal taxpayers, type of property, and their taxable assessed values as of January 1, 2018:

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll
Willow Green Associates LP	Land & Improvements	$2,392,957
KB Home Lone Star LP (a)	Land, Improvements & Personal Property	2,008,729
Campuzano J G	Land, Improvements & Personal Property	1,959,772
SSMRS Partners Ltd.	Land & Improvements	1,948,338
Houston Pull Your Part Inc.	Land & Improvements	1,807,842
BRI UV LLC	Land & Improvements	1,692,287
Eminent Investment Group	Land & Improvements	1,670,294
Pine Landing Homes LLC	Land & Improvements	1,500,000
Dixon Makbule Kandemir	Land & Improvements	1,462,490
Core Lumber	Land, Improvements & Personal Property	1,425,571
Total		$17,868,280
% of Respective Tax Roll		8.41%

(a) See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2018 Assessed Valuation ($212,468,922), the 2019 Preliminary Valuation ($271,789,614) and the Estimated Valuation as of June 1, 2019 ($285,669,937). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District except the Outstanding Bonds and the Bonds:

Average Annual Debt Service Requirements (2020-2044)	$ 1,595,857	
Tax Rate of $0.80 on the 2018 Assessed Valuation produces	$ 1,614,764	
Tax Rate of $0.62 on the 2019 Preliminary Valuation produces	$ 1,600,841	(a)
Tax Rate of $0.59 on the Estimated Valuation as of June 1, 2019 produces	$ 1,601,180	(a)
Maximum Annual Debt Service Requirement (2036)	$ 2,138,975	
Tax Rate of $1.06 on the 2018 Assessed Valuation produces	$ 2,139,562	
Tax Rate of $0.83 on the 2019 Preliminary Valuation produces	$ 2,143,061	(a)
Tax Rate of $0.79 on the Estimated Valuation as of June 1, 2019 produces	$ 2,143,953	(a)

(a) No taxes will be levied on preliminary or estimated values.

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2018 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

	2018 Tax Rate Per $100 of Assessed Value
The District	$1.300000
Aldine Independent School District	1.435888
Harris County	0.418580
Harris County Flood Control District	0.028770
Harris County Department of Education	0.005190
Port of Houston Authority	0.011550
Harris County Hospital District	0.171080
Harris County ESD No. 20	0.100000
Harris County ESD No. 1	0.100000
Lone Star College System District	0.107800
Estimated Total Tax Rate	$3.678858

THE DISTRICT

General

The District is a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the Texas Water Commission, predecessor of the TCEQ, on May 9, 1978. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, and to operate certain recreational facilities, among other things. The District may also provide solid waste collection and disposal service. Currently the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and isolated exclusively within the extraterritorial jurisdiction of the City.

Description

The District is located in north Harris County, Texas, approximately 10 miles north of Houston's central business district. The District presently contains approximately 842 acres of land. According to the District's Engineer, approximately 181 acres within the District lie within the 100-year flood plain. The District lies entirely within the exclusive extraterritorial jurisdiction of the City and is located within the Aldine Independent School District. The District is located to the west of Veterans Memorial Blvd.; to the east of West Montgomery Road; and is split by West Mount Houston Road (SH 249).

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. All of the present members of the Board own land within the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

Name	Position	Term Expires May
Matthew Zeve	President	2022
James Dryden	Vice President	2020
Amber Forrest	Secretary	2022
Johnny Bellamy	Assistant Secretary	2020
Maria Aguilar	Assistant Secretary	2022

The District employs the following companies and individuals to operate its utilities and recreational facilities:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Bob Leared Interests Inc. Mr. Leared acts as tax assessor for approximately 140 utility districts.

Bookkeeper – The District's bookkeeper is Municipal Accounts & Consulting, L.P. Such firm acts as bookkeeper for approximately 73 districts.

Utility System Operator – The District's operator is M. Marlon Ivy & Associates, Inc. Such firm acts as operator for approximately 10 utility districts.

Auditor – The District employed McCall Gibson Swedlund Barfoot PLLC as its independent auditor to audit the District's financial statements annually, which is filed with the TCEQ. Such audit is included in Appendix A.

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Pape-Dawson Consulting Engineers, Inc. (the "Engineer").

Legal Counsel – The District employs Sanford Kuhl Hagan Kugle Parker Kahn LLP as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP also acts as general counsel for the District.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP has been designated as Disclosure Counsel. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor – Robert W. Baird & Co. Incorporated (the "Financial Advisor") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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Status of Development

To date, of the 841.8 acres within the District, there are approximately 597.3 acres that have been developed with water distribution, sanitary sewer and storm drainage facilities, 70.5 acres that are undevelopable, 81.2 acres for roadways, 34.5 acres for drainage and detention, and approximately 58.3 acres remaining to be developed.

Approximately 389.3 acres of the land within the District have been developed for residential use as the subdivisions of Granada, Section 1; Willow Springs, Sections 1-8; Westview Landing Sections 1-5; Pine Valley Meadows, Section 1 and Villa North. As of June 17, 2019, the District contained 1,526 completed occupied homes, 10 completed and unoccupied homes, 65 homes under construction and 89 vacant developed lots.

Approximately 165.0 acres have been developed for commercial and other uses. Commercial development in the District is comprised of a recreation center (approximately 2.2 acres), combination office/warehouse space (approximately 219,923 sq. ft.), office space (approximately 1,764 sq. ft.), retail shopping (approximately 62,260 sq. ft.) and warehouse space (approximately 39,523 sq. ft.). The District also includes an approximately 34 acre (296 lots) mobile home park.

Active Homebuilders

KB Home (defined herein) is currently building homes in the subdivision of Westview Landing. Homes range in price from $169,995 to $212,495 and 1,454 to 2,961 in square footage.

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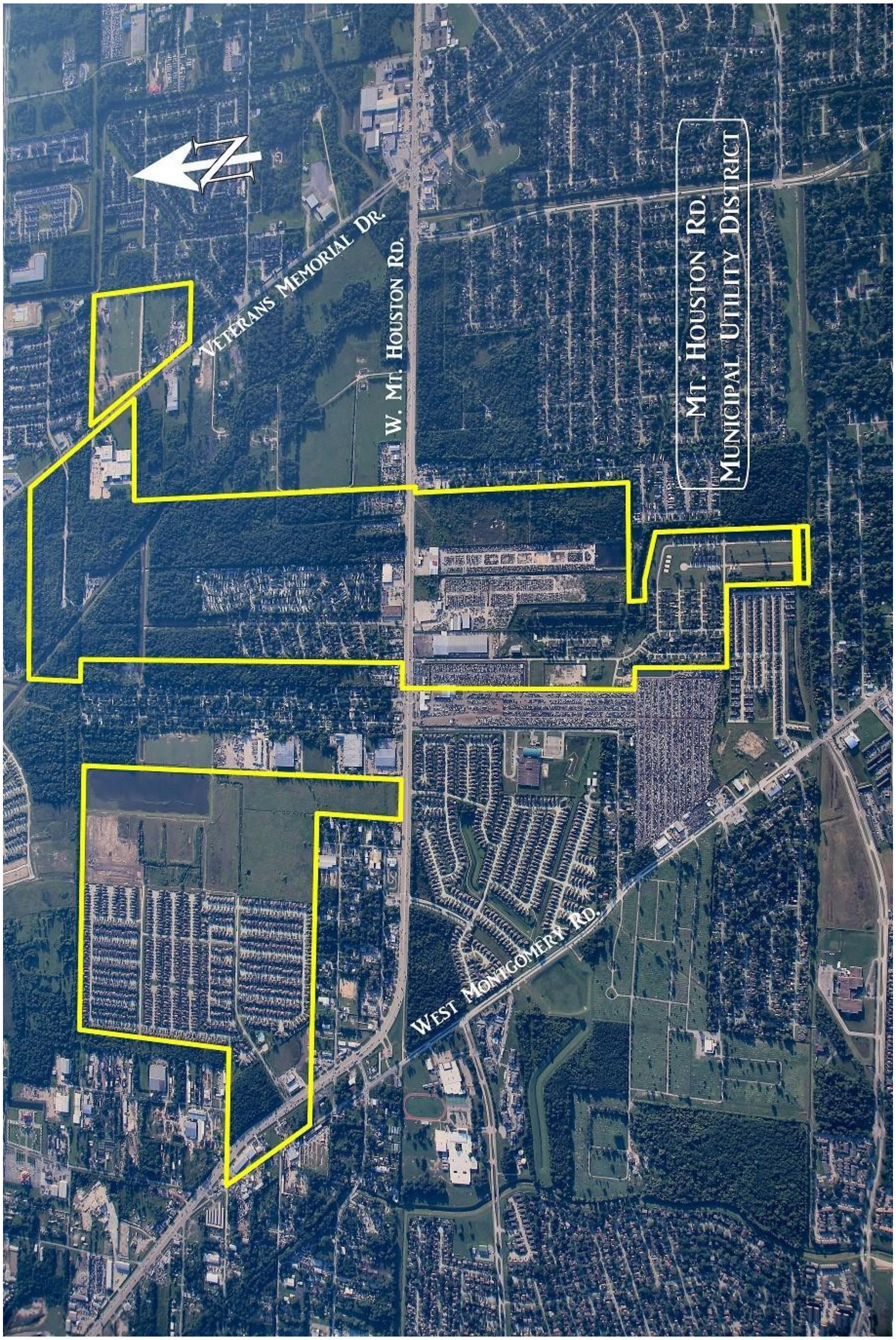
PHOTOGRAPHS WITHIN THE DISTRICT
(Taken June 2019)

PHOTOGRAPHS WITHIN THE DISTRICT
(Taken June 2019)

AERIAL PHOTOGRAPH OF THE DISTRICT



THE DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district; designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Current Developer

The principal developer of land within the District is KB Home Lone Star, Inc., a Texas corporation ("KB Home" or the "Developer"). KB Home is a publicly traded company on the New York Stock Exchange and a national homebuilder. For more information, visit www.kbhome.com. KB Home manages its own development activity and has over 15 years of experience developing land in the Houston metropolitan area.

KB Home currently owns no undeveloped acres and 89 vacant developed lots in the District and is currently building homes in the Westview Landing subdivision.

Pine Valley Development Corporation ("PVDC") developed Pine Valley Meadows, Section 1 and Villa North Subdivisions. PVDC transferred ownership of all property to Texas Community Bank, whose successor in interest is Spirit of Texas Bank SSB, by deed in lieu of foreclosure in 2008. Spirit of Texas Bank SSB sold its remaining interest in residential lots to Mainstay (US) LLC, dba Pacrim LLC, which retained 17 lots and sold 67 lots to LGI Homes – Texas, LLC in Villa North. Spirit of Texas Bank SSB retained ownership of the common open space area in Villa North. The District currently owns 5 lots in Pine Valley Meadows, Section 1 through tax foreclosure.

THE SYSTEM

Regulation

According to the Engineer, the System has been constructed and operated in accordance with the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City, the County, and the Harris County Flood Control District. According to the Engineer, the design of all such facilities has been approved by the applicable governmental agencies and inspected by the TCEQ, with the exception of the wastewater treatment plant facilities, Lift Station No. 2 and force main. Upon discovering that these facilities may not have approval from the applicable governmental agencies, the Board changed to the current Engineer. The current Engineer has verified that approving entities do not approve existing facilities. The District and Engineer ensure all future facilities will obtain appropriate approvals. The District is responsible for the operation and maintenance of all water and wastewater facilities serving the service area and the System operates in accordance with the applicable rules and regulations. Drainage is the responsibility of the County, the District and/or the homeowners association that exists within the District.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

The District is located within the boundaries of the Harris-Galveston Coastal Subsidence District (the "Subsidence District"), the entity which regulates groundwater withdrawal in Harris and Galveston Counties. The District's ability to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999 the Subsidence District adopted a Regulatory Plan (the "Regulatory Plan") to reduce groundwater withdrawal through conversion to surface water consumption by the areas within the Subsidence District's boundaries. Under the Regulatory Plan, areas within the Subsidence District's boundaries were to convert to 30% surface water by 2010, 70% surface water by 2020 and 80% surface water by 2030. The Subsidence District's Board of Directors adopted an updated regulatory plan (the "2013 Regulatory Plan") on January 9, 2013 and amended the plan on May 8, 2013. Under the 2013 Regulatory Plan, the District is required to: maintain groundwater withdrawals at no more than 70% of total annual water demand under permits issued through 2024; reduce and maintain its groundwater withdrawals to no more than 40% (as opposed to 30%) of total annual water demand beginning with permits issued in 2025 (as opposed to 2020); and reduce and maintain its groundwater withdrawals to no more than 20% of total annual water demand beginning with permits issued in 2035 (as opposed to 2030). Water permittees, including the District, are required to adopt and implement a groundwater reduction plan to meet the schedule for surface water conversion.

The District entered into an agreement with the City as part of a groundwater reduction plan. The City has developed the plan and is responsible for construction of the treatment and general transmission facilities to supply the District with surface water to allow for the reduction of groundwater withdrawal for compliance with the updated 2013 Regulatory Plan. The City has indicated that all Regulatory Plan participants, including the District, will be required to pay a water impact fee ("Impact Fee") per equivalent single family connection ("ESFC") at the time of conversion. Since Impact Fees are reimbursable to developers, the District may be required to include reimbursement of such fees paid by the developer or property owner in future bond issues. It is the intent of the District to collect Impact Fees for each vacant lot and new non-residential development ESFC prior to providing services. Impact Fees for existing ESFCs must be funded by the District prior to receiving surface water from the City.

Description of the System

- Water Supply and Distribution -

The District's water is supplied from two water plants. Water Plant No. 1 has well capacity of 1,000 gallons per minute ("gpm") with two ground storage tanks with capacity totaling 420,000 gallons, 40,000 gallons of hydro-pneumatic tank capacity, and four booster pumps with capacity totaling 2,000 gpm. Water Plant No. 2 has well capacity of 250 gpm with one ground storage tank with capacity totaling 50,000 gallons, 5,000 gallons of hydro-pneumatic tank capacity, and three booster pumps with capacity totaling 525 gpm. In total the District has well capacity of 1,250 gpm, ground storage capacity totaling 470,000 gallons, hydro-pneumatic tank capacity totaling 45,000 gallons, and booster pump capacity totaling 2,525 gpm. According to the Engineer, the existing water plant is capable of serving approximately 2,052 ESFC. The District currently is serving approximately 2,126 ESFC. Additionally, the District has entered into an agreement with Forest Hills Municipal Utility District for the provision of 192 ESFC of water on a temporary basis (for a total current capacity of 2,244 ESFCs) and the construction of joint water supply facilities from which the District will own 500 ESFC.

The District has water capacity commitments for existing development and to various developers/builders totaling approximately 2,324 ESFCs with approximately 30 additional ESFCs currently proposed for connection to the District's water system. Additional capacity commitment requests are anticipated and/or pending and additional water supply (through construction of a water well or water transmission line from the City) will be needed. The City has allocated an additional 10,000,000 gallons of treated water per month to the District, and the District has constructed additional improvements to the District's existing system to obtain 240 ESFCs of such water.

- Sanitary Sewer -

The District currently owns and operates a wastewater treatment plant with a treatment capacity of 990,000 gpd. The plant is a reinforced concrete treatment facility consisting of parallel treatment trains. The components include the following: Fine Particle Screen and Bar Screen; Influent Mixing Basin; 2 Series Aeration Basins in each train; 1 Final Clarifier per train; 1 Sludge Thickener; 1 Aerobic Digester per train; 1 Chlorine Contact (disinfection) Basin; 4 Air Handlers for process aeration; Chlorine Disinfection Equipment; Electronic Flow Monitor and Totalizer; Water Reuse system; Electrical Controls and alarm devices; and Emergency Power Generator. The current average daily flow through the plant is approximately 530,000 gpd.

- Drainage -

The developed portions of the District are served with storm sewers, roadside ditches, and outfall drainage facilities constructed with proceeds of the Outstanding Bonds and certain developer advances. According to the Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land in the District reflects that approximately 73 developed acres in the District lie within the 100-year flood plain of any water course.

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Historical Operations of the System

The following is a summary of the District's Operating Fund for the last 5 years. The figures for the fiscal years ending March 31, 2015 through March 31, 2018, were obtained from the District's annual financial reports, reference to which is hereby made. The figures for fiscal year ending March 31, 2019 are unaudited and were obtained from the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ended March 31,				
	2019 (a)	2018	2017	2016	2015
GENERAL FUND REVENUES:					
Property Taxes	$ 1,422,585	$ 953,754	$ 893,640	$ 1,082,162	$ 637,006
Water Service	496,321	457,377	429,454	391,366	253,353
Wastewater Service	602,913	527,682	494,370	482,911	448,937
Groundwater Reduction Fees	147,789	132,650	129,348	128,364	116,440
Penalties and Interest	62,778	44,012	46,622	33,200	17,890
Tap Connection and Inspection Fees	455,871	499,801	220,745	33,870	37,205
Sludge Disposal Revenues	89,458	86,501	105,774	97,789	102,695
Miscellaneous Revenues	89,502	79,682	480,967	28,837	26,726
TOTAL REVENUES	$ 3,367,218	$2,781,459	$2,800,920	$ 2,278,499	$ 1,640,252
EXPENDITURES:					
Professional Fees	$ 309,776	$ 258,220	$ 349,312	$ 410,225	$ 423,716
Contracted Services	257,957	288,258	259,746	243,132	257,137
Utilities	126,930	90,867	152,686	193,025	198,919
Groundwater Reduction Costs	149,416	141,060	138,417	135,116	131,087
Repairs and Maintenance	447,755	346,443	372,772	447,248	403,956
Customer Refunds	-0-	-0-	-0-	-0-	204,367
Other	245,311	339,881	195,161	215,801	176,659
Capital Outlay	52,553	1,257,303	143,059	343,671	165,917
TOTAL EXPENDITURES	$1,589,698	$2,722,032	$1,611,153	$ 1,988,218	$ 1,961,758
EXCESS REVENUES (EXPENDITURES)	$1,777,521	$ 59,427	$ 1,189,767	$ 290,281	$ (321,506)
OTHER FINANCING SOURCES (USES)					
Transfers	$ -0-	$ -0-	$ 119,526	$ 13,672	$ -0-
BEGINNING BALANCE	$3,560,138	$ 3,500,711	$2,191,418	$1,887,465	$2,208,971
ENDING BALANCE	$5,337,659	$ 3,560,138	$3,500,711	$2,191,418	$1,887,465

(a) Unaudited. Information obtained from the District's bookkeeper and includes the full 12 months fiscal year.

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INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, the County, the City, or any political subdivision other than the District. The Bonds are secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, derived from the operation of the System, to the extent and upon the conditions described herein. See "THE BONDS – Sources of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District (i) to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities, and (ii) to generate Net Revenues from the operation of the System. (See "THE BONDS – Sources of Payment – Net Revenues.") The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that the System will produce sufficient Net Revenues to make any contributions to future debt service payments. See "Production of Net Revenues" below. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing and commercial retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing and commercial industries in the Houston metropolitan area. New single-family residential construction and commercial development can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction and commercial development activity would restrict the growth of property values in the District. Although the construction of 1 single-family home is under way, the District cannot predict the pace or magnitude of any future development in the District. See "THE DISTRICT – Status of Development."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder or owner of commercial property to proceed at any particular pace with the construction of homes or commercial improvements in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "THE DISTRICT – Status of Development" and "THE DEVELOPER."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2018 Assessed Valuation of property within the District (see "TAX DATA"), is $212,468,922, the 2019 Preliminary Valuation is $271,789,614 and the Estimated Valuation as of June 1, 2019 is $285,669,937. Based upon the Outstanding Bonds and the Bonds, the maximum annual debt service requirement is $2,138,975 (2036) and the average annual debt service requirement is $1,595,857 (2020 through 2044 inclusive). Assuming no increase or decrease from the 2018 Assessed Valuation, tax rates of $1.06 and $0.79 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no increase or decrease from the 2019 Preliminary Valuation, tax rates of $0.83 and $0.62 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no increase or decrease from the Estimated Valuation as of June 1, 2019, tax rates of $0.79 and $0.59 per $100 assessed valuation at a

95% collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2018 tax year, the District levied a maintenance tax rate of $0.68 per $100 of assessed valuation and a debt service tax rate of $0.62 per $100 of assessed valuation for a total tax rate of $1.30 per $100 of assessed valuation.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Future Debt

Following the issuance of the Bonds, the District will have $56,410,000 in authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds and $102,065,000 in authorized but unissued refunding bonds. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including revenue notes, tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or other factors to limit the amount of parity bonds which it may issue. After the issuance of the Bonds, the District will still owe the Developer approximately $4,315,000. Additional bonds will be necessary to finance the ultimate development of the remaining lands within the District. See "THE DISTRICT – Status of Development."

Competitive Nature of Houston Residential Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The respective competitive positions of the Developer and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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 proceedings 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 "TAX DATA - Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a 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.

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District's debt service requirements. Further, the District has never generated any Net Revenues to contribute to the debt service on the Outstanding Bonds. An audit of the District's accounts for the fiscal year ended March 31, 2018, is included as "APPENDIX A" to this Official Statement. See "THE SYSTEM – Historical Operation of the System."

Marketability of the Bonds

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds (other than the hold-the-offering-price rule restrictions described in the Official Notice of Sale) 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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. Under Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Environmental Regulations

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

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

Sanctions against a municipal utility 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 Issue: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and 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) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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 of the District to comply with such covenants 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."

Approval of the Bonds

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

Recent Extreme Weather Events/Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast. The Houston area, including the County, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall, and historic levels of rainfall during the succeeding four days.

According to the Engineer, the District's water, sanitary sewer, and drainage facilities sustained no damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. However, according to the Developer and the Engineer, there were approximately 20 homes in the District that experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

If a future weather event or natural disaster significantly damaged taxable property 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.

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, the County and the City adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended County regulations took effect January 1, 2018, and the new and amended City regulations took effect September 1, 2018.

The County floodplain regulations govern construction projects in unincorporated regions of the County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City floodplain regulations govern construction projects in the corporate jurisdiction of the City and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements to meet the new and amended City regulations.

The new and amended County and City regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

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.

Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The Tax Cuts and Jobs Act, which became law on December 22, 2017, repealed the provisions allowing for tax-exempt advance refundings, prohibiting any tax-exempt advance refunding bonds from being issued after December 31, 2017.

2019 Legislative Session

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

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and financial condition. SB 2 was signed into law by the Governor on June 12, 2019. See "TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate."

The District cannot predict whether the Governor will call one or more special sessions to address other property tax reforms.

Bond Insurance Risk Factors

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District or Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

Annexation

The District lies within the planning area of the extraterritorial jurisdiction of the City. Under Texas law, certain portions of the District may be annexed and dissolved by the City only if (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% of the land in the area, a petition has been signed by more than 50% of the land owners consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council, 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. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by a city.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General 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 within the District and the Net Revenues, if any, from the System. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally 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, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and are payable from certain Net Revenues of the System. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certified Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn 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.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief 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 provisions 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.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may be supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, (i) interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

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

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds.

If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

The Tax Cuts and Jobs Act, which became law on December 22, 2017, repealed the provisions allowing for tax-exempt advance refundings, prohibiting any tax-exempt advance refunding bonds from being issued after December 31, 2017.

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The District has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2019, including the Bonds, will exceed $10,000,000.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A - Financial Statements of the District." The District will update and provide this information within six months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 17 CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, or 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 debt obligation or derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation of the District, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, 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 any such financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves 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 MSRB

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to 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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure covenants made by it in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, the Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders and engineering and other related reports set forth herein are included 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.

Experts

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (excluding " - Book-Entry Only System," “Registered Owners Remedies,” “ Bankruptcy Limitation to Registered Owner’s Rights” and “Use and Distribution of Bond Proceeds”), "TAXING PROCEDURES," "THE DISTRICT - General," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS," "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS," and "CONTINUING DISCLOSURE." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Appraisal District and Bob Leared Interests Inc., the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE DEVELOPER – The current development information has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Act of the SEC, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds descried herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in the Rule.

Certification as to Official Statement

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Mount Houston Road Municipal Utility District as of the date shown on the first page hereof.

/s/ Matthew Zeve
President, Board of Directors
Mount Houston Road Municipal Utility District

ATTEST:

/s/ Amber Forrest
Secretary, Board of Directors
Mount Houston Road Municipal Utility District

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APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mount Houston Road Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Mount Houston Road Municipal Utility District (the "District"), as of and for the year ended March 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
Mount Houston Road Municipal Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 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
Certified Public Accountants
Houston, Texas

July 10, 2018

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018

Management's discussion and analysis of Mount Houston Road Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 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 and liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $3,065,066 as of March 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land, detention facilities and the water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 9,642,230	$ 10,081,160	$ (438,930)
Capital Assets (Net of Accumulated Depreciation)	16,162,763	14,610,454	1,552,309
Total Assets	$ 25,804,993	$ 24,691,614	$ 1,113,379
Deferred Outflows of Resources	$ 1,162,385	$ 809,329	$ 353,056
Due to Developers	$ 3,896,028	$ 3,703,053	$ (192,975)
Bonds Payable	19,313,415	19,368,712	55,297
Other Liabilities	692,869	583,890	(108,979)
Total Liabilities	$ 23,902,312	$ 23,655,655	$ (246,657)
Net Position:			
Net Investment in Capital Assets	$ (2,186,872)	$ (3,439,537)	$ 1,252,665
Restricted	1,493,025	1,618,696	(125,671)
Unrestricted	3,758,913	3,666,129	92,784
Total Net Position	$ 3,065,066	$ 1,845,288	$ 1,219,778

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

Summary of Changes in the Statement of Activities

	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,420,427	$ 2,247,164	$ 173,263
Charges for Services	1,789,019	1,588,167	200,852
Other Revenues	131,423	504,904	(373,481)
Total Revenues	$ 4,340,869	$ 4,340,235	$ 634
Expenses for Services	3,121,091	3,431,449	310,358
Change in Net Position	$ 1,219,778	$ 908,786	$ 310,992
Net Position, Beginning of Year	1,845,288	936,502	908,786
Net Position, End of Year	$ 3,065,066	$ 1,845,288	$ 1,219,778

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2018, were $8,254,745, a decrease of $603,853 from the prior year.

The General Fund fund balance increased by $59,427, primarily due to service and property tax revenues exceeding operating and administrative expenditures.

The Debt Service Fund fund balance increased by $44,717, primarily due to the structure of the District's long-term debt and the effects of issuing the Series 2017 Refunding bonds.

The Capital Projects Fund fund balance decreased by $707,997 due to the use of bond proceeds received in prior years to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $616,359 more than budgeted revenues primarily due to higher than anticipated tap revenues, service revenues and property tax revenues. Actual expenditures were $74,051 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of March 31, 2018, total $16,162,763 (net of accumulated depreciation) and include land and detention facilities as well as the water and wastewater facilities. Additional information on the District's capital assets can be found in Note 6 of this report. Current year completed construction projects included lift station no. 4 expansion, HC MUD No. 118 emergency interconnect facilities, automatic control valve facilities, Forest Hills MUD interconnect, water plant no. 2 ground storage tank and hydropneumatic tank recoating, lift station no. 5 and 6-inch force main facilities and water impact fee paid to the City of Houston.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 2,118,550	$ 2,118,550	$
Construction in Progress		244,753	(244,753)
Capital Assets, Net of Accumulated Depreciation:			
Water and Wastewater Facilities	13,202,209	11,375,155	1,827,054
Detention Facilities	842,004	871,996	(29,992)
Total Net Capital Assets	$ 16,162,763	$ 14,610,454	$ 1,552,309

LONG-TERM DEBT ACTIVITY

As of March 31, 2018, the District had total bond debt payable of $19,690,000. The changes in the debt position of the District during the fiscal year ended March 31, 2018 are summarized as follows:

Bond Debt Payable, April 1, 2017	$ 19,690,000
Add: Bond Sale	6,265,000
Less: Bond Principal Paid/Refunded	6,365,000
Bond Debt Payable, March 31, 2018	$ 19,590,000

The District's Series 2011 Bonds and Series 2017 Refunding Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The District's Series 2014 Refunding Bonds and Series 2016 Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The District carries an underlying rating of "BBB" or "Baa3". There were no changes in the bond ratings from the prior year.

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 Mount Houston Road Municipal Utility District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 166,705	$ 132,730
Investments	3,831,276	1,209,826
Receivables:		
Property Taxes	109,770	175,189
Penalty and Interest on Delinquent Taxes		
Service Accounts	76,587	
Accrued Interest	16,278	1,174
Other	51,284	
Due from Other Funds	367,362	
Prepaid Costs	18,917	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 4,638,179	$ 1,518,919
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,638,179	$ 1,518,919

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 125,293	$ 424,728	$	$ 424,728
3,595,476	8,636,578		8,636,578
	284,959		284,959
		42,720	42,720
	76,587		76,587
	17,452		17,452
	51,284		51,284
	367,362	(367,362)	
	18,917	89,005	107,922
		2,118,550	2,118,550
		14,044,213	14,044,213
$ 3,720,769	$ 9,877,867	$ 15,927,126	$ 25,804,993
$ -0-	$ -0-	$ 1,162,385	$ 1,162,385
$ 3,720,769	$ 9,877,867	$ 17,089,511	$ 26,967,378

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

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 500,449	$
Accrued Interest Payable		
Due to Developers	329,453	
Due to Other Funds		14,588
Due to Taxpayers		2,505
Security Deposits	138,369	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 968,271	$ 17,093
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 109,770	$ 175,189
FUND BALANCES		
Nonspendable - Prepaid Costs	$ 18,917	$
Restricted for Authorized Construction		
Restricted for Debt Service		1,326,637
Assigned for 2019 Budget	83,612	
Unassigned	3,457,609	
TOTAL FUND BALANCES	$ 3,560,138	$ 1,326,637
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,638,179	$ 1,518,919
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 25	$ 500,474	$	$ 500,474
		51,521	51,521
	329,453	3,566,575	3,896,028
352,774	367,362	(367,362)	
	2,505		2,505
	138,369		138,369
		740,000	740,000
		18,573,415	18,573,415
$ 352,799	$ 1,338,163	$ 22,564,149	$ 23,902,312
$ -0-	$ 284,959	$ (284,959)	$ -0-
$	$ 18,917	$ (18,917)	$
3,367,970	3,367,970	(3,367,970)	
	1,326,637	(1,326,637)	
	83,612	(83,612)	
	3,457,609	(3,457,609)	
$ 3,367,970	$ 8,254,745	$ (8,254,745)	$ -0-
$ 3,720,769	$ 9,877,867		
		$ (2,186,872)	$ (2,186,872)
		1,493,025	1,493,025
		3,758,913	3,758,913
		$ 3,065,066	$ 3,065,066

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

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2018

Total Fund Balances - Governmental Funds		$ 8,254,745
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance premiums are amortized over the term of the debt in governmental activities.		89,005
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		1,162,385
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		16,162,763
Deferred inflows of resources related to property tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		327,679
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Due to Developer	$ (3,566,575)	
Accrued Interest Payable	(51,521)	
Bonds Payable	(19,313,415)	(22,931,511)
Total Net Position - Governmental Activities		$ 3,065,066

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

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MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 953,754	$ 1,478,637
Water Service	457,377	
Wastewater Service	527,682	
Groundwater Reduction Fees	132,650	
Sludge Disposal Revenues	86,501	
Penalty and Interest	44,012	37,778
Tap Connection and Inspection Fees	499,801	
Miscellaneous Revenues	79,682	15,726
TOTAL REVENUES	$ 2,781,459	$ 1,532,141
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 258,220	$ 18,334
Contracted Services	288,258	44,816
Utilities	90,867	
Groundwater Reduction Costs	141,060	
Repairs and Maintenance	346,443	
Depreciation		
Other	339,881	9,667
Capital Outlay	1,257,303	
Debt Service:		
Bond Principal		650,000
Bond Interest		638,329
Bond Issuance Costs		277,524
Payment to Refunded Bond Escrow Agent		128,000
TOTAL EXPENDITURES/EXPENSES	$ 2,722,032	$ 1,766,670
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 59,427	$ (234,529)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$	$ 6,265,000
Payment to Refunded Bond Escrow Agent		(5,860,052)
Bond Discount		(125,702)
TOTAL OTHER FINANCING SOURCES (USES)	$ -0-	$ 279,246
NET CHANGE IN FUND BALANCES	$ 59,427	$ 44,717
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2017	3,500,711	1,281,920
FUND BALANCES/NET POSITION - MARCH 31, 2018	$ 3,560,138	$ 1,326,637

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,432,391	$ (11,964)	$ 2,420,427
	457,377		457,377
	527,682		527,682
	132,650		132,650
	86,501		86,501
	81,790	3,218	85,008
	499,801		499,801
36,015	131,423		131,423
$ 36,015	$ 4,349,615	$ (8,746)	$ 4,340,869
$	$ 276,554	$ 5,134	$ 281,688
1,567	334,641		334,641
	90,867		90,867
	141,060		141,060
	346,443		346,443
		434,826	434,826
274	349,822	176,687	526,509
735,906	1,993,209	(1,993,209)	
	650,000	(650,000)	
	638,329	84,276	722,605
6,265	283,789	(41,337)	242,452
	128,000	(128,000)	
$ 744,012	$ 5,232,714	$ (2,111,623)	$ 3,121,091
$ (707,997)	$ (883,099)	$ 2,102,877	$ 1,219,778
$	$ 6,265,000	$ (6,265,000)	$
	(5,860,052)	5,860,052	
	(125,702)	125,702	
$ -0-	$ 279,246	$ (279,246)	$ -0-
$ (707,997)	$ (603,853)	$ 603,853	$
		1,219,778	1,219,778
4,075,967	8,858,598	(7,013,310)	1,845,288
$ 3,367,970	$ 8,254,745	$ (5,189,679)	$ 3,065,066

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

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

Net Change in Fund Balances - Governmental Funds	$	(603,853)
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.		(11,964)
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.		(173,469)
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.		(434,826)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,988,075
Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		167,039
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.		650,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(84,276)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(6,265,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.		5,988,052
Change in Net Position - Governmental Activities	$	1,219,778

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

NOTE 1. CREATION OF DISTRICT

Mount Houston Road Municipal Utility District (the "District") was created by an Order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission"), dated May 9, 1978, as amended on January 8, 1979, as a conservation and reclamation district pursuant to Article XVI, Section 59 of the Texas Constitution and operating pursuant to Chapters 49 and 54 of the Texas Water Code. The District is empowered to purchase, construct, 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 Board of Directors held its first meeting on June 27, 1978, and the first bonds were sold March 1, 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 or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

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").

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, maintenance taxes, 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of March 31, 2018, the Debt Service Fund owed the General Fund $14,588 for maintenance tax collections and the Capital Projects Fund owed the General Fund $352,774 for costs approved in the current year to be paid from surplus bond proceeds.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $20,000 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 Facilities	10-45
Wastewater Facilities	10-45
Detention Facilities	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 determined that directors are considered to be "employees" for federal payroll tax purposes only.

Measurement Focus

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

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District assigned $83,612 of its March 31, 2018, General Fund fund balance to use for a budgeted General Fund deficit during the year ended March 31, 2019.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

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

	April 1, 2017	Additions	Retirements	March 31, 2018
Bonds Payable	$ 19,690,000	$ 6,265,000	$ 6,365,000	$ 19,590,000
Unamortized Discounts	(351,032)	(138,046)	(184,616)	(304,462)
Unamortized Premiums	29,744		1,867	27,877
Bonds Payable, Net	$ 19,368,712	$ 6,126,954	$ 6,182,251	$ 19,313,415

Amount Due Within One Year	$ 740,000
Amount Due After One Year	18,573,415
Bonds Payable, Net	$ 19,313,415

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2011	Refunding Series 2014	Series 2016	Refunding Series 2017
Amount Outstanding - March 31, 2018	$ 190,000	$ 8,850,000	$ 4,285,000	$ 6,265,000
Interest Rates	3.00% - 4.00%	2.00% - 4.00%	2.00% - 3.00%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	March 1, 2019/2022	March 1, 2019/2033	March 1, 2019/2041	March 1, 2019/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2019*	March 1, 2022*	March 1, 2024*	March 1, 2025*

* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2016 term bonds due March 1, 2027, March 1, 2029, March 1, 2031, March 1, 2033, and March 1, 2041, are subject to mandatory redemption by random selection on March 1, 2025, March 1, 2028, March 1, 2030, March 1, 2032, and March 1, 2038, respectively. Series 2017 Refunding term bonds due March 1, 2026, March 1, 2028, March 1, 2030, and March 1, 2033 are subject to mandatory redemption by random selection on March 1, 2025, March 1, 2027, March 1, 2029, and March 1, 2031, respectively.

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

Fiscal Year	Principal	Interest	Total
2019	$ 740,000	$ 618,256	$ 1,358,256
2020	760,000	603,057	1,363,057
2021	780,000	583,962	1,363,962
2022	800,000	562,837	1,362,837
2023	835,000	543,662	1,378,662
2024-2028	4,620,000	2,339,594	6,959,594
2029-2033	5,600,000	1,479,413	7,079,413
2034-2038	4,700,000	449,906	5,149,906
2039-2041	755,000	45,750	800,750
	$ 19,590,000	$ 7,226,437	$ 26,816,437

As of March 31, 2018, the District had $66,930,000 of authorized but unissued bonds for water, sewer and drainage facilities and $102,244,969 of authorized but unissued bonds 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, and are further payable from and secured by a lien on the pledge of the net revenue to be received from the operation of the District's waterworks and sanitary sewer system.

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended March 31, 2018, the District levied an ad valorem debt service tax rate of \$0.79 per \$100 of assessed valuation, which resulted in a tax levy of \$1,469,648 on the adjusted taxable valuation of \$186,031,262 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

For certain bond issues, 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 be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

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 with respect to the District 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 and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

<u>Deposits</u>

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At fiscal year end, the carrying amount of the District's deposits was $4,704,728 and the bank balance was $4,378,905. 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 March 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 166,705	$ 3,560,000	$ 3,726,705
DEBT SERVICE FUND	132,730	720,000	852,730
CAPITAL PROJECTS FUND	125,293		125,293
TOTAL DEPOSITS	$ 424,728	$ 4,280,000	$ 4,704,728

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level 1 investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position on the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas Class.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 271,276	$ 271,276
Certificates of Deposit	3,560,000	3,560,000
DEBT SERVICE FUND		
Texas CLASS	489,826	489,826
Certificates of Deposit	720,000	720,000
CAPITAL PROJECTS FUND		
TexPool	576,699	576,699
Texas CLASS	3,018,777	3,018,777
TOTAL INVESTMENTS	$ 8,636,578	$ 8,636,578

The District measures 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. At March 31, 2018, the District's investments in TexPool and Texas CLASS were rated AAAm by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances covered by FDIC insurance and pledged collateral.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

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

	April 1, 2017	Increases	Decreases	March 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 2,118,550		$	$ 2,118,550
Construction in Progress	244,753	1,993,209	2,237,962	
Total Capital Assets Not Being Depreciated	$ 2,363,303	$ 1,993,209	$ 2,237,962	$ 2,118,550
Capital Assets Subject to Depreciation				
Water and Wastewater Facilities	$ 15,924,729	$ 2,231,888	$	$ 18,156,617
Detention Facilities	1,199,693			1,199,693
Total Capital Assets Subject to Depreciation	$ 17,124,422	$ 2,231,888	$ - 0 -	$ 19,356,310
Accumulated Depreciation				
Water and Wastewater Facilities	$ 4,549,574	$ 404,834	$	$ 4,954,408
Detention Facilities	327,697	29,992		357,689
Total Accumulated Depreciation	$ 4,877,271	$ 434,826	$ - 0 -	$ 5,312,097
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 12,247,151	$ 1,797,062	$ - 0 -	$ 14,044,213
Total Capital Assets, Net of Accumulated Depreciation	$ 14,610,454	$ 3,790,271	$ 2,237,962	$ 16,162,763

NOTE 7. MAINTENANCE TAX

On August 12, 1978, the voters of the District approved a maintenance tax in an unlimited amount per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended March 31, 2018, the District levied an ad valorem maintenance tax rate of $0.51 per $100 of assessed valuation, which resulted in a tax levy of $948,759 on the adjusted taxable valuation of $186,031,262 for the 2017 tax year.

NOTE 8. RISK MANAGEMENT

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

NOTE 9. CONTRACT WITH THE CITY OF HOUSTON

The District entered into a City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Coastal Subsidiary District. with the City of Houston (the "City"). The City has developed the plan and is responsible for constructing the facilities necessary to supply the District with surface water. During the current fiscal year, the District and the City entered into a supplement to the agreement whereby the City will provide surface water to the District through a connection that was previously an emergency interconnect with the City. For the year ended March 31, 2018, the District incurred costs of $141,060 for participating in the City's Groundwater Reduction Plan.

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has executed financing agreements with developers within the District. The agreements call for the developers to fund construction costs associated with water, sewer and drainage facilities to serve District customers. Reimbursement to the developers for these costs is contingent upon approval by the Commission and future sale of bonds.

NOTE 11. BOND SALE, ESCROW REQUIREMENT AND CHANGE IN SCOPE

On December 21, 2017, the District closed on the sale of its $6,265,000 Unlimited Tax and Revenue Refunding Bonds, Series 2017. Proceeds of the bonds were used to redeem, prior to stated maturities, a portion of the outstanding Series 2009 bonds in the amount of $1,020,000 with maturities of 2019 through 2022, interest rates between 6.30% and 6.60%, and a redemption date of December 21, 2017 and Series 2011 bonds in the amount of $4,695,000, with maturities of 2023 through 2036, interest rates between 4.00% and 5.00% and a redemption date of March 1, 2019. The refunding resulted in gross debt service savings of $730,094 and net present value savings of $518,593.

NOTE 11. BOND SALE, ESCROW REQUIREMENT AND CHANGE IN SCOPE (Continued)

The District was required by the Commission to escrow $757,951 of Series 2016 bond proceeds as follows: $442,951 for the construction of water plant no. 3 and $315,000 for the acquisition of an easement for a wastewater force main. The District was also directed not to expend Series 2016 bond proceeds totaling $1,428,211 which are to be used for wastewater treatment plant improvements phase 1, wastewater system extension, wastewater system rehabilitation and wastewater system evaluation survey. On October 31, 2017, the Commission approved the District's application and approved the release of $719,451 from escrow, $1,131,561 in funds the District was directed not to expend, and a change in project scope to reallocate the released funds totaling $1,851,012 to pay the District's share of Lift Station No. 5 and Force Main construction, and to pay its pro-rata share of a joint water plant with Forest Hills MUD. Funds required to remain in escrow at year end total $125,187.

NOTE 12. EMERGENCY WATER SUPPLY AGREEMENT

On March 10, 2017, the District executed a contract with Harris County Municipal Utility District No. 118 ("MUD 118") to provide emergency water supply services. Water is to be repaid in kind or cash. The price to be paid is the actual cost to the supplying party for producing water or for the purchase of surface water, if applicable. The term of the contract is 50 years.

NOTE 13. WATER SUPPLY AND JOINT FACILITIES AGREEMENT

Effective September 1, 2017, the District entered into an agreement with Forest Hills Municipal Utility District ("Forest Hills"). Along with temporary water supply capacity, the districts will share in the costs of constructing, operating, and maintaining certain joint water facilities. Unless terminated, this agreement will be in effect for 99 years from the effective date.

Forest Hills has available water supply capacity in the amount of 192 equivalent single-family connections ("ESFC"), which will be supplied to the District on a temporary basis. Each district will be solely responsible for the construction and maintenance of internal facilities needed to extend its water system to the interconnect. Forest Hill will maintain the interconnect. The costs incurred will be shared by the districts on a pro-rata basis. The charges for temporary services will be based on Forest Hill's cost for production and treatment of water.

The districts will share the cost to acquire, plat and prepare a site for remote water well no. 2 as well as the cost to construct the water well, ground storage tank and other necessary appurtenances. The cost of construction will be shared based on each district's pro rata share of the joint facilities, which will be: Forest Hills 64% and the District 36%. Upon completion Forest Hills will be responsible for operating the joint facilities. The operating and maintenance costs will be shared based on each District's capacity divided by the total number of ultimate ESFCs for both District's: Forest Hills 79% and the District 21%.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2018

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 893,100	$ 953,754	$ 60,654
Water Service	444,300	457,377	13,077
Wastewater Service	501,400	527,682	26,282
Groundwater Reduction Fees	139,600	132,650	(6,950)
Penalty and Interest	47,400	44,012	(3,388)
Tap Connection and Inspection Fees	12,000	499,801	487,801
Sludge Disposal Revenues	100,000	86,501	(13,499)
Miscellaneous Revenues	27,300	79,682	52,382
TOTAL REVENUES	$ 2,165,100	$ 2,781,459	$ 616,359
EXPENDITURES			
Services Operations:			
Professional Fees	$ 316,800	$ 258,220	$ 58,580
Contracted Services	278,900	288,258	(9,358)
Utilities	141,260	90,867	50,393
Groundwater Reduction Costs	143,500	141,060	2,440
Repairs and Maintenance	304,500	346,443	(41,943)
Other	194,100	339,881	(145,781)
Capital Outlay (less transfers)	1,268,921	1,257,303	11,618
TOTAL EXPENDITURES	$ 2,647,981	$ 2,722,032	$ (74,051)
NET CHANGE IN FUND BALANCE	$ (482,881)	$ 59,427	$ 542,308
FUND BALANCE - APRIL 1, 2017	3,500,711	3,500,711	
FUND BALANCE - MARCH 31, 2018	$ 3,017,830	$ 3,560,138	$ 542,308

See accompanying independent auditor's report.

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MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2018

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2018

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

X	Retail Water		Wholesale Water		Drainage
X	Retail Wastewater		Wholesale Wastewater	X	Irrigation
	Parks/Recreation		Fire Protection		Security
X	Solid Waste/Garbage		Flood Control		Roads
X	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 January 9, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 14.40	5,000	N	$ 2.00	5,001 to 8,000
				2.37	8,001 to 15,000
				3.48	15,001 to 20,000
				3.85	20,001 to 25,000
				4.23	25,001 and up
WASTEWATER:	$ 27.78	5,000	N	$ 1.00	5,001 to 8,000
				1.25	8,001 to 15,000
				1.50	15,001 to 20,000
				1.75	20,001 to 25,000
				2.25	25,001 and up
SURCHARGE: Groundwater Reduction Plan		0,001	N	$ 0.983	0,001 and up

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

Total monthly charges per 10,000 gallons usage: Water: $25.14 Wastewater: $33.28 Surcharge: $9.83

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,395	1,373	x 1.0	1,373
1"	11	11	x 2.5	28
1½"	4	4	x 5.0	20
2"	13	13	x 8.0	104
3"	2	2	x 15.0	30
4"	3	3	x 25.0	75
6"	2	2	x 50.0	100
8"	3	3	x 80.0	240
10"	1	1	x 115.0	115
Total Water Connections	1,434	1,412		2,085
Total Wastewater Connections	1,404	1,382	x 1.0	1,382

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

Gallons pumped into system: 149,183,000

Water Accountability Ratio: 91.44%
(Gallons billed/Gallons pumped)

Gallons billed to customers: 136,420,000

See accompanying independent auditor's report.

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all __X__

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

Entirely __X__ Partly ______ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2018

PROFESSIONAL FEES:		
Auditing	$	16,300
Engineering		136,572
Legal		105,348
TOTAL PROFESSIONAL FEES	$	258,220
CONTRACTED SERVICES:		
Bookkeeping	$	27,200
Operations and Billing		99,129
TOTAL CONTRACTED SERVICES	$	126,329
UTILITIES:		
Electricity	$	88,264
Telephone		2,603
TOTAL UTILITIES	$	90,867
REPAIRS AND MAINTENANCE	$	346,443
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	8,100
Election Costs		3,263
Insurance		32,230
Office Supplies and Postage		23,686
Payroll Taxes		620
Travel and Meetings		4,446
Other		12,576
TOTAL ADMINISTRATIVE EXPENDITURES	$	84,921
CAPITAL OUTLAY	$	1,257,303
TAP CONNECTIONS	$	146,560
SOLID WASTE DISPOSAL	$	161,929
OTHER EXPENDITURES:		
Chemicals	$	18,942
Groundwater Reduction Costs		141,060
Laboratory Fees		30,142
Permit Fees		8,666
Reconnection Fees		24,955
Inspection Fees		20,875
Regulatory Assessment		4,820
TOTAL OTHER EXPENDITURES	$	249,460
TOTAL EXPENDITURES	$	2,722,032

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Certificate of Deposit	XXXX7306	1.00%	10/02/18	$ 240,000	$ 1,184
Certificate of Deposit	XXXX3847	1.35%	02/06/19	240,000	470
Certificate of Deposit	XXXX4126	1.30%	02/15/19	240,000	376
Certificate of Deposit	XXXX6733	1.30%	03/15/19	240,000	137
Certificate of Deposit	XXXX0503	1.15%	09/15/18	240,000	1,860
Certificate of Deposit	XXXX2189	1.10%	08/07/18	240,000	1,707
Certificate of Deposit	XXXX1890	1.00%	10/15/18	240,000	1,618
Certificate of Deposit	XXXX0127	1.25%	12/13/18	240,000	888
Certificate of Deposit	XXXX7758	1.05%	12/14/18	240,000	1,388
Certificate of Deposit	XXXX1420	0.62%	05/15/18	100,000	579
Certificate of Deposit	XXXX6414	0.62%	06/15/18	100,000	528
Certificate of Deposit	XXXX0932	0.75%	07/03/18	240,000	1,336
Certificate of Deposit	XXXX9705	1.20%	01/19/19	240,000	560
Certificate of Deposit	XXXX5595	1.10%	01/17/19	240,000	998
Certificate of Deposit	XXXX7307	1.00%	11/15/18	240,000	1,618
Certificate of Deposit	XXXX3579	0.40%	04/14/18	240,000	1,031
Texas CLASS	XXXX0001	Varies	Daily	271,276	
TOTAL GENERAL FUND				$ 3,831,276	$ 16,278
DEBT SERVICE FUND					
Certificate of Deposit	XXXX6210	1.30%	02/14/19	$ 240,000	$ 385
Certificate of Deposit	XXXX3839	1.20%	08/05/18	240,000	418
Certificate of Deposit	XXXX9394	1.20%	08/11/18	240,000	371
Texas CLASS	XXXX0004	Varies	Daily	489,826	
TOTAL DEBT SERVICE FUND				$ 1,209,826	$ 1,174
CAPITAL PROJECTS FUND					
TexPool	XXXX0005	Varies	Daily	$ 576,699	$
Texas CLASS	XXXX0002	Varies	Daily	926,136	
Texas CLASS	XXXX0003	Varies	Daily	2,092,641	
TOTAL CAPITAL PROJECTS FUND				$ 3,595,476	$ - 0 -
TOTAL - ALL FUNDS				$ 8,636,578	$ 17,452

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - APRIL 1, 2017	$ 113,895		$ 183,028	
Adjustments to Beginning Balance	870	$ 114,765	1,150	$ 184,178
Original 2017 Tax Levy	$ 825,689		$ 1,279,009	
Adjustment to 2017 Tax Levy	123,070	948,759	190,639	1,469,648
TOTAL TO BE ACCOUNTED FOR		$ 1,063,524		$ 1,653,826
TAX COLLECTIONS:				
Prior Years	$ 44,965		$ 70,905	
Current Year	908,789	953,754	1,407,732	1,478,637
TAXES RECEIVABLE - MARCH 31, 2018		$ 109,770		$ 175,189
TAXES RECEIVABLE BY YEAR:				
2017		$ 39,970		$ 61,916
2016		10,814		17,302
2015		9,396		9,542
2014		5,444		11,208
2013		3,295		9,686
2012		5,148		7,021
2011		2,121		8,091
2010		4,314		6,071
2009		2,661		7,222
2008		4,033		6,050
2007		3,198		4,797
2006		3,845		5,767
2005		3,197		4,795
2004		2,607		3,910
2003		2,768		2,998
2002		2,033		2,202
2001 and prior		4,926		6,611
TOTAL		$ 109,770		$ 175,189

See accompanying independent auditor’s report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2018

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	$ 50,567,776	$ 48,457,393	$ 47,119,688	$ 45,072,913
Improvements	155,670,722	139,426,467	127,594,544	104,102,227
Personal Property	7,746,308	22,317,540	19,877,008	19,127,848
Exemptions	(27,953,544)	(27,795,561)	(23,035,108)	(14,327,178)
TOTAL PROPERTY VALUATIONS	$ 186,031,262	$ 182,405,839	$ 171,556,132	$ 153,975,810
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.79	$ 0.80	$ 0.655	$ 0.875
Maintenance	0.51	0.50	0.645	0.425
TOTAL TAX RATES PER $100 VALUATION	$ 1.30	$ 1.30	$ 1.300	$ 1.30
ADJUSTED TAX LEVY*	$ 2,418,407	$ 2,371,277	$ 2,230,231	$ 2,001,686
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	95.79 %	98.81 %	99.15 %	99.17 %

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

Maintenance Tax – Maximum tax rate in an unlimited amount per $100 of assessed valuation approved by voters on August 12, 1978.

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018

	S E R I E S - 2 0 1 1		
Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2019	$ 40,000	$ 6,700	$ 46,700
2020	50,000	5,500	55,500
2021	50,000	4,000	54,000
2022	50,000	2,000	52,000
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	$ 190,000	$ 18,200	$ 208,200

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018

	SERIES-2014 REFUNDING		
Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2019	$ 270,000	$ 315,400	$ 585,400
2020	275,000	310,000	585,000
2021	285,000	304,156	589,156
2022	290,000	297,031	587,031
2023	595,000	289,056	884,056
2024	610,000	271,206	881,206
2025	635,000	252,144	887,144
2026	655,000	231,506	886,506
2027	675,000	209,400	884,400
2028	695,000	182,400	877,400
2029	725,000	154,600	879,600
2030	750,000	125,600	875,600
2031	770,000	95,600	865,600
2032	800,000	64,800	864,800
2033	820,000	32,800	852,800
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	$ 8,850,000	$ 3,135,699	$ 11,985,699

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018

	SERIES - 2016		
Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2019	$ 130,000	$ 110,637	$ 240,637
2020	130,000	108,038	238,038
2021	135,000	105,437	240,437
2022	140,000	102,738	242,738
2023	145,000	99,937	244,937
2024	150,000	97,038	247,038
2025	155,000	94,037	249,037
2026	160,000	90,550	250,550
2027	165,000	86,950	251,950
2028	170,000	83,238	253,238
2029	175,000	79,200	254,200
2030	180,000	75,044	255,044
2031	190,000	70,544	260,544
2032	195,000	65,794	260,794
2033	200,000	60,675	260,675
2034	210,000	55,425	265,425
2035	215,000	49,650	264,650
2036	220,000	43,200	263,200
2037	230,000	36,600	266,600
2038	235,000	29,700	264,700
2039	245,000	22,650	267,650
2040	250,000	15,300	265,300
2041	260,000	7,800	267,800
	$ 4,285,000	$ 1,590,182	$ 5,875,182

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018

	SERIES - 2017 REFUNDING		
Due During Fiscal Years Ending March 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2019	$ 300,000	$ 185,519	$ 485,519
2020	305,000	179,519	484,519
2021	310,000	170,369	480,369
2022	320,000	161,068	481,068
2023	95,000	154,669	249,669
2024	100,000	152,769	252,769
2025	100,000	150,769	250,769
2026	110,000	148,518	258,518
2027	115,000	146,044	261,044
2028	125,000	143,025	268,025
2029	130,000	139,744	269,744
2030	145,000	135,843	280,843
2031	160,000	131,494	291,494
2032	170,000	126,494	296,494
2033	190,000	121,181	311,181
2034	1,145,000	115,244	1,260,244
2035	1,195,000	79,462	1,274,462
2036	1,250,000	40,625	1,290,625
2037			
2038			
2039			
2040			
2041			
	$ 6,265,000	$ 2,482,356	$ 8,747,356

See accompanying independent auditor's report.

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MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	$ 740,000	$ 618,256	$ 1,358,256
2020	760,000	603,057	1,363,057
2021	780,000	583,962	1,363,962
2022	800,000	562,837	1,362,837
2023	835,000	543,662	1,378,662
2024	860,000	521,013	1,381,013
2025	890,000	496,950	1,386,950
2026	925,000	470,574	1,395,574
2027	955,000	442,394	1,397,394
2028	990,000	408,663	1,398,663
2029	1,030,000	373,544	1,403,544
2030	1,075,000	336,487	1,411,487
2031	1,120,000	297,638	1,417,638
2032	1,165,000	257,088	1,422,088
2033	1,210,000	214,656	1,424,656
2034	1,355,000	170,669	1,525,669
2035	1,410,000	129,112	1,539,112
2036	1,470,000	83,825	1,553,825
2037	230,000	36,600	266,600
2038	235,000	29,700	264,700
2039	245,000	22,650	267,650
2040	250,000	15,300	265,300
2041	260,000	7,800	267,800
	$ 19,590,000	$ 7,226,437	$ 26,816,437

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2018

Description	Original Bonds Issued	Bonds Outstanding April 1, 2017
Mount Houston Road Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2009	$ 8,430,000	$ 1,235,000
Mount Houston Road Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	5,105,000	4,930,000
Mount Houston Road Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	9,640,000	9,115,000
Mount Houston Road Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	4,520,000	4,410,000
Mount Houston Road Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2017	6,265,000	
TOTAL	$ 33,960,000	$ 19,690,000

Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	$ 91,800,000	$ 103,950,000
Amount Issued	24,870,000	1,705,031
Remaining to be Issued	$ 66,930,000	$ 102,244,969

Debt Service Fund cash and investment balances as of March 31, 2018:	$ 1,342,556
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,165,932

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

See accompanying independent auditor's report.

	Retirements		Bonds	
Bonds Sold	Principal	Interest	Outstanding March 31, 2018	Paying Agent
$	$ 1,235,000	$ 46,262	$ - 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	4,740,000	122,156	190,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	265,000	320,700	8,850,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	125,000	113,138	4,285,000	Amegy Bank Houston, TX
6,265,000		36,073	6,265,000	Amegy Bank Houston, TX
$ 6,265,000	$ 6,365,000	$ 638,329	$ 19,590,000	

Note: $6,045,000 from the 1978 bond election was cancelled upon new authorization of the same amount in the 1982 election.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 953,754	$ 893,640	$ 1,082,162
Water Service	457,377	429,454	391,366
Wastewater Service	527,682	494,370	482,911
Groundwater Reduction Fees	132,650	129,348	128,364
Penalty and Interest	44,012	46,622	33,200
Tap Connection and Inspection Fees	499,801	220,745	33,870
Sludge Disposal Revenues	86,501	105,774	97,789
Miscellaneous Revenues	79,682	480,967	28,837
TOTAL REVENUES	$ 2,781,459	$ 2,800,920	$ 2,278,499
EXPENDITURES			
Professional Fees	$ 258,220	$ 349,312	$ 410,225
Contracted Services	288,258	259,746	243,132
Utilities	90,867	152,686	193,025
Groundwater Reduction Costs	141,060	138,417	135,116
Repairs and Maintenance	346,443	372,772	447,248
Customer Refunds			
Other	339,881	195,161	215,801
Capital Outlay	1,257,303	143,059	343,671
TOTAL EXPENDITURES	$ 2,722,032	$ 1,611,153	$ 1,988,218
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 59,427	$ 1,189,767	$ 290,281
OTHER FINANCING SOURCES (USES)			
Transfers In	$ -0-	$ 119,526	$ 13,672
NET CHANGE IN FUND BALANCE	$ 59,427	$ 1,309,293	$ 303,953
BEGINNING FUND BALANCE	3,500,711	2,191,418	1,887,465
ENDING FUND BALANCE	$ 3,560,138	$ 3,500,711	$ 2,191,418

See accompanying independent auditor's report.

			Percentage of Total Revenues				
	2015	2014	2018	2017	2016	2015	2014
	$ 637,006	$ 440,538	34.3 %	31.9 %	47.4 %	38.8 %	30.1 %
	253,353	271,903	16.4	15.3	17.2	15.4	18.6
	448,937	445,599	19.0	17.7	21.2	27.4	30.4
	116,440	118,874	4.8	4.6	5.6	7.1	8.1
	17,890	19,576	1.6	1.7	1.5	1.1	1.3
	37,205	35,525	18.0	7.9	1.5	2.3	2.4
	102,695	101,253	3.1	3.8	4.3	6.3	6.9
	26,726	31,615	2.8	17.1	1.3	1.6	2.2
	$ 1,640,252	$ 1,464,883	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
	$ 423,716	$ 297,616	9.3 %	12.5 %	18.0 %	25.8 %	20.3 %
	257,137	275,964	10.4	9.3	10.7	15.7	18.8
	198,919	159,674	3.3	5.5	8.5	12.1	10.9
	131,087	111,075	5.1	4.9	5.9	8.0	7.6
	403,956	290,716	12.5	13.3	19.6	24.6	19.8
	204,367	1,182				12.5	0.1
	176,659	163,310	12.2	7.0	9.5	10.8	11.1
	165,917	15,758	45.2	5.1	15.1	10.1	1.1
	$ 1,961,758	$ 1,315,295	98.0 %	57.6 %	87.3 %	119.6 %	89.7 %
	$ (321,506)	$ 149,588	2.0 %	42.4 %	12.7 %	(19.6) %	10.3 %
	$ -0-	$ - 0 -					
	$ (321,506)	$ 149,588					
	2,208,971	2,059,383					
	$ 1,887,465	$ 2,208,971					

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 1,478,637	$ 1,417,082	$ 1,121,379
Penalty and Interest	37,778	42,180	36,828
Miscellaneous Revenues	15,726	17,747	5,747
TOTAL REVENUES	$ 1,532,141	$ 1,477,009	$ 1,163,954
EXPENDITURES			
Tax Collection Expenditures	$ 63,150	$ 60,766	$ 51,812
Debt Service Principal, Interest and Fees	1,288,329	1,334,370	1,157,502
Other	9,667	4,155	5,316
Bond Issuance Costs	277,524		
Payment to Refunded Bond Escrow Agent	128,000		
TOTAL EXPENDITURES	$ 1,766,670	$ 1,399,291	$ 1,214,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (234,529)	$ 77,718	$ (50,676)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	$ 6,265,000	$	$
Transfer to Refunded Bond Escrow Agent	(5,860,052)		
Bond Discount	(125,702)		
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	$ 279,246	$ -0-	$ -0-
NET CHANGE IN FUND BALANCE	$ 44,717	$ 77,718	$ (50,676)
BEGINNING FUND BALANCE	1,281,920	1,204,202	1,254,878
ENDING FUND BALANCE	$ 1,326,637	$ 1,281,920	$ 1,204,202
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,412	1,245	1,198
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,382	1,220	1,182

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
$ 1,316,883	$ 1,280,472	96.5 %	95.9 %	96.3 %	97.5 %	97.9 %
27,918	21,290	2.5	2.9	3.2	2.1	1.6
4,776	6,661	1.0	1.2	0.5	0.4	0.5
$ 1,349,577	$ 1,308,423	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 49,230	$ 45,056	4.1 %	4.1 %	4.5 %	3.6 %	3.4 %
1,157,326	1,255,099	84.1	90.3	99.4	85.8	95.9
4,571	16,514	0.6	0.3	0.5	0.3	1.3
388,157		18.1			28.8	
		8.4				
$ 1,599,284	$ 1,316,669	115.3 %	94.7 %	104.4 %	118.5 %	100.6 %
$ (249,707)	$ (8,246)	(15.3) %	5.3 %	(4.4) %	(18.5) %	(0.6) %
$ 9,800,000	$					
(9,290,666)						
(139,598)						
35,300						
$ 405,036	$ -0-					
$ 155,329	$ (8,246)					
1,099,549	1,107,795					
$ 1,254,878	$ 1,099,549					
1,168	1,084					
1,152	1,068					

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2018

District Mailing Address - Mount Houston Road Municipal Utility District
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2018	Expense Reimbursements for the year ended March 31, 2018	Title
Matthew Zeve	06/2014 05/2018 (Appointed)	$ 1,200	$ 60	President
James Dryden	05/2016 05/2020 (Elected)	$ 1,650	$ 1,290	Vice President
Amber Forrest	03/2015 05/2018 (Appointed)	$ 900	$ 103	Secretary
Maria Aguilar	05/2014 05/2018 (Elected)	$ 2,250	$ 1,986	Assistant Secretary
Johnny Bellamy	05/2016 05/2020 (Elected)	$ 2,100	$ 222	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 22, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060) on October 10, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MOUNT HOUSTON ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2018

Consultants:	Date Hired	Fees for the year ended March 31, 2018	Title
Sanford Kuhl Hagan Kugle Parker Kahn LLP	04/03/15	$ 115,795 $ 70,437	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	06/10/13	$ 16,300 $ 900	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	11/01/05	$ 32,689	Bookkeeper
Mark Burton		$ -0-	Investment Officer
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/01/91	$ 13,334	Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	06/02/16	$ 393,393	Engineer
Robert W. Baird & Co. Inc.	02/23/15	$ 64,411	Financial Advisor
M. Marlon Ivy & Associates	04/26/79	$ 278,464	Operator
Bob Leared RTA	02/05/80	$ 30,694	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

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