

OFFICIAL NOTICE OF SALE

\$13,280,000

**PORTER SPECIAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Montgomery County, Texas)**

WATERWORKS SYSTEM REVENUE BONDS, SERIES 2019

Selling: August 26, 2019 at 11:00 a.m., local time

The Bonds are obligations solely of Porter Special Utility District (the “District”) and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe or the City of Houston, Texas; or any other political subdivision or agency.

THE DISTRICT WILL NOT DESIGNATE THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

THE SALE

Bonds Offered for Sale at Competitive Bidding . . . Porter Special Utility District (the “District”) is offering for sale \$13,280,000 Waterworks System Revenue Bonds, Series 2019 (the “Bonds”).

Place and Time of Bid Opening . . . The District will open sealed bids for purchase of the Bonds at the designated meeting place within the boundaries of the District at the District’s offices at 22162 Water Well Road, Porter, Texas 77365-5381 on August 26, 2019 at 11:00 a.m., local time. The award of the Bonds will take place at the District’s Board of Directors (the “Board”) Meeting at 7:00 p.m., the same day.

Award of Bonds . . . The District will take action to award the Bonds or reject all bids at their Board Meeting at 7:00 p.m., on the day of the sale. Upon awarding the Bonds, the District will also adopt the order authorizing issuance of the Bonds (the “Bond Order”) and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order to which Bond Order reference is hereby made for all purposes.

Address of Bids/Bids Delivered in Person . . . Sealed bids, plainly marked “Bid for Bonds,” should be addressed to the Board of Directors of Porter Special Utility District, and if delivered in person, delivered at the designated meeting place within the boundaries of the District, at the District’s offices at 22162 Water Well Road, Porter, Texas, 77365-5381 **by 11:00 a.m., local time**, on the date of the bid opening. All bids must be submitted on the “Official Bid Form” without alteration or interlineation. Copies of the Official Bid Form accompany the Preliminary Official Statement.

Electronic Bidding Procedure . . . Notice is hereby given that electronic proposals will be received via **PARITY**, in the manner described below, **until 11:00 a.m.**, local time, on August 26, 2019. Bids may be submitted electronically via **PARITY** pursuant to this Notice of Sale, **until 11:00 a.m. local time**, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. For further information about **PARITY**, potential bidders may contact the financial advisor to the District or **PARITY** at (212) 849-5021.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

THE BONDS

Description of Bonds . . . The Bonds will be dated September 1, 2019, and interest on the Bonds will be payable on December 1, 2019, and semiannually thereafter on each June 1 and December 1 (each an “Interest Payment Date”) until maturity or earlier redemption. The Bonds will be initially registered in the name of Cede & Co. as a single fully registered bond for the entire principal amount of the Bonds. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described in the PRELIMINARY OFFICIAL STATEMENT. No physical delivery of the Bonds will be made to the owners thereof. The initial paying agent/registrant (the “Paying Agent/Registrar”) is Zions Bancorporation National Association, Houston, Texas. Payment of the principal and semiannual interest shall be handled at the offices of the Paying Agent/Registrar in Houston, Texas. Principal and semi-annual interest will be paid to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid to the beneficial owners of the Bonds. Interest on the Bonds will be payable by check or draft, dated as of the Interest Payment Date, and mailed on or before each Interest Payment Date by the Paying Agent/Registrar to each Bondholder of record as of the Record Date (as defined herein). The Bonds mature serially on December 1 in the years and amounts shown below.

<u>Principal Amount Maturing</u>	<u>Principal Year of Maturity</u>	<u>Amount Maturity</u>	<u>Year of Maturity</u>
\$ 240,000	2020	\$485,000	2033 (i)(ii)
255,000	2021	510,000	2034 (i)(ii)
270,000	2022	540,000	2035 (i)(ii)
285,000	2023	570,000	2036 (i)(ii)
300,000	2024	600,000	2037 (i)(ii)
315,000	2025	635,000	2038 (i)(ii)
335,000	2026	670,000	2039 (i)(ii)
350,000	2027 (i)(ii)	705,000	2040 (i)(ii)
370,000	2028 (i)(ii)	745,000	2041 (i)(ii)
390,000	2029 (i)(ii)	785,000	2042 (i)(ii)
410,000	2030 (i)(ii)	825,000	2043 (i)(ii)
435,000	2031 (i)(ii)	875,000	2044 (i)(ii)
460,000	2032 (i)(ii)	920,000	2045 (i)(ii)

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- (i) The District reserves the right to redeem prior to maturity those Bonds maturing on December 1 in each of the years 2027 through 2045, both inclusive, in whole or from time to time in part on December 1, 2026, or any date thereafter, in integral multiples of \$5,000 at a price of par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by random method as the Paying Agent/Registrar deems fair and appropriate.
 - (ii) Of such principal maturities set forth above, the bidder has the option to create term bonds as reflected on the bid form.

Source of Payment . . . The Bonds are special obligations of the District payable solely from and, together with certain previously issued bonds (identified and defined in the Order), secured by and payable from a first lien on and pledge of the Net Revenues of the District’s Waterworks System. Except for the pledge of the Net Revenues to secure payment of the Bonds, the District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. The Bonds do not constitute an indebtedness or general obligation of the District, and the holders of the Bonds shall not have a right to demand payment thereof from any funds raised or to be raised by taxation. The District currently has no taxing power.

Other Terms and Covenants . . . Other terms of the Bonds and various covenants of the District contained in the Bond Order under which the Bonds are to be issued are described in the Preliminary Official Statement, to which reference is made for all purposes.

Book-Entry-Only System . . . The District intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”). See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

Municipal Bond Rating . . . The District has made application to Moody’s Investors Service for a municipal bond rating in connection with the Bonds.

CONDITIONS OF SALE

Types of Bids and Interest Rates . . . The Bonds will be sold in one block, on an all or none basis, and no bid of less than 97% of par value plus accrued interest to the date fixed for delivery will be accepted. The net effective interest rate must not exceed 5.68% pursuant to an Order of the Texas Commission on Environmental Quality. Bidders must specify the rate or rates of interest the Bonds will bear, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates that may be used and the highest interest rate bid may not exceed the lowest interest rate bid by more than 3% in rate. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid.

Basis of Award . . . For the purpose of awarding the sale of the Bonds, the total interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting there from the premium bid, if any. Subject to the right of the District to reject any or all bids, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest interest cost to the District. In the event of mathematical discrepancies between the interest rates and the interest costs determined therefrom, as both appear on the "Official Bid Form," the bid will be determined solely from the interest rates shown on the "Official Bid Form."

Good Faith Deposit . . . Each bid must be accompanied by a bank cashier's check payable to the order of "Porter Special Utility District" in the amount of \$265,600, which is 2% of the par value of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Initial Purchaser") will be retained un-cashed by the District until the Bonds are delivered. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned to the Initial Purchaser un-cashed. If the Initial Purchaser should fail or refuse to make payment for or accept delivery of the Bonds in accordance with its bid, then the check will be cashed and accepted by the District as full and complete liquidated damages. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn, which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

Obligation of the District to Receive Information from Initial Purchaser...Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the bidder either: (a) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (b) represents to the District by marking the appropriate check box on the signature page of the Official Bid Form that the bidder represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the "Publicly Traded Entity Representation"). In the event that the bidder's bid for the Bonds is the best bid received and the bidder does not provide the Publicly Traded Entity Representation, the District, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below.

Process for Completing the Disclosure Form...The Disclosure Form can be found at https://www.ethics.state.tx.ris/whalsnew/elf_info_form1295.htm and reference should be made to the following information to complete it: (a) item 2 — Porter Special Utility District, Texas (b) item 3 — (identification number assigned to this contract) "Waterworks System Revenue Bonds, Series 2019 - Award" and (c) item 3 — (description of goods or services) Initial Purchaser of Bonds.

If the bidder doesn't provide the Publicly Traded Entity Representation, the District cannot accept your bid unless and until you: (i) complete the Disclosure Form electronically at the TEC's "electronic portal", and (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC's "electronic portal." These materials must be delivered electronically to the District's Bond Counsel at jpolley@rbaplav.com and Financial Advisor at clane@samcocapital.com no later than 4:00p.m. (CDT) on the bid due date.

If the Disclosure Form is required, time will be of the essence in submitting the form to the District, and no bid will be accepted by the District unless a completed Disclosure Form is received on time. If multiple entities are listed on the winning Official Bid Form and the Publicly Traded Entity Representation is not provided, each such entity will be required to submit a Disclosure Form to the District.

Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems

necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

Selection of Alternate Winning Bid....If the apparent winning bidder fails to promptly file the Disclosure Form, the District reserves the right to reject such bid and, through its financial advisor, provide conditional verbal acceptance to the bidder submitting a bid, conforming to the specifications herein, which produces the next, lowest Net Effective Interest Cost rate to the District.

Impact of Bidding Syndicate on Award....For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Purchase of Insurance . . .The District has made application to several bond insurance companies for a guaranty insurance policy insuring timely payment of the principal and interest on the Bonds. **Purchase of insurance by the Initial Purchaser is at the bidder's option and bidder's risk, including the payment of premium for such insurance and any associated rating fees.**

Iran, Sudan and Foreign Terrorist Organizations. . . The District may not award the Bonds to a bidder unless the bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation will be made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

Anti-Boycott Verification . . . The District may not award the Bonds to a bidder unless the bidder verifies that it and its parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the winning bid is a contract for goods or services, will not boycott Israel so long as bidder owns any of the Bonds. The foregoing verification will be made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The winning bidder understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the winning bidder and exists to make a profit.

OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC").

Final Official Statement . . . The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds but will not prepare any other document or version for such purpose, except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, the ratings assigned to the Bonds (if not currently included) if applicable, the purchase of municipal bond insurance, if any, the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under "OFFICIAL STATEMENT - Certification as to Official Statement."

Changes to Official Statement During Underwriting Period . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement, which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as, described below. See “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery.” The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule 15c2-12), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule 15c2-12.

Delivery of Official Statements . . . The District will furnish to the Initial Purchaser (and to each other participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements requested but not in excess of 50 copies. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period referred to in SEC Rule 15c2-12(e)(2). The District will pay the expense of preparing up to 100 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

Rule G-36 Requirements . . . It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rule Making Board's Rule G-36 within the required time frame. The Initial Purchaser must send two copies of the “Official Statement” along with two complete Form G-36's to the appropriate address.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

Delivery . . . The Bonds will be tendered to the Initial Purchaser as a single typewritten, photocopied or otherwise reproduced bond in fully registered form in the aggregate principal amount of \$13,280,000 payable to the Initial Purchaser or its representative as designated in the Official Bid Form, manually signed by the President and Secretary of the Board of Directors, or executed by the facsimile signatures of the President and Secretary of the Board of Directors, and approved by the Attorney General of the State of Texas and registered and manually signed by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Bond, it shall be immediately canceled and one definitive Bond for each maturity will be registered to Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Initial delivery will be at the designated office for payment of the Paying Agent in Houston, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given five (5) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about September 26, 2019, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Bonds no later than 10:00 a.m., local time on September 26, 2019 or thereafter on the date the Bonds are tendered for delivery up to and including November 7, 2019. If for any reason the District is unable to make delivery on or before November 7, 2019, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend his offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within five (5) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

CUSIP Numbers . . . It is anticipated that CUSIP identification numbers will be printed or otherwise reproduced on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause of a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and the terms of the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District. However, the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

Conditions to Delivery . . . The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of the legal opinion of the Attorney General of Texas, the legal opinion of Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas, Bond Counsel for the District (“Bond Counsel”), the no-litigation certificate, as described below, and the non-occurrence of the events described below under “No Material Adverse Change”. In addition, if the District fails to

comply with its obligations under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

Legal Opinions . . . The District will furnish the Initial Purchaser a transcript of certain proceedings held incident to the authorization and issuance of the Bonds, including a certified copy or original of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of a continual direct annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The District also will furnish the legal opinion of Bond Counsel to the effect that, based upon an examination of such transcript, (1) 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, (2) the Bonds are payable, both as to principal and interest, solely from and, together with certain previously issued bonds (identified and defined in the Order), secured by and payable from a first lien on and pledge of the Net Revenues of the District's Waterworks System and (3) pursuant to the Internal Revenue Code of 1986, (the "Code") then in effect and existing law and assuming continuing compliance by the District with the provisions of the Bond Order, the interest on the Bonds will be excludable from gross income, and will not be subject to the alternative minimum tax on individuals for federal income tax purposes. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. Neither the opinion of the Attorney General nor the opinion of Bond Counsel will express any opinion or make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

Certification of Issue Price . . . In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended, relating to the exemption of interest on the Bonds from the gross income of their owners, the Initial Purchaser will be required to complete, execute, and deliver to the District (on or before the date of delivery of the Bonds) a certification as to the "issue price" of the Bonds substantially in the form accompanying this "Notice of Sale" of the Bonds. In the event the successful bidder will not re-offer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District and Bond Counsel. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery.

Competitive Bidding and Certificate Regarding Issue Price... In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the District will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) if the Underwriter has agreed in writing not to sell or offer certain maturities of the Bonds at a price higher than the initial offering price for such maturities for a period of five business days after the sale date, the initial offering price to the public as of the sale date of such maturities of the Bonds is the issue price of that maturity (the "hold the price rule"). With respect to the maturities of the Bonds that are subject to the 10 percent rule, if the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to SAMCO Capital Markets, Inc., the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. Alternative language is included in the Certificate Regarding Issue Price for use (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

No Material Adverse Change . . . The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the District from those set forth in or contemplated by the "Preliminary Official Statement" as it may have been supplemented or amended through the date of sale.

No-Litigation Certificate . . . On the date of delivery of the Bonds to the Initial Purchaser, the District will deliver to the Initial Purchaser a certificate, as of the same date, to the effect that to the best of the District's knowledge no litigation of any nature is pending or, to the best of the certifying officers' knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers and directors of the District.

CONTINUING DISCLOSURE AGREEMENT

The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s (s) or its (their) agent’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of a certified copy of the Bond Order containing the agreement described under such heading.

GENERAL CONSIDERATIONS

Future Registration . . . In the event that the Book-Entry-Only System should be discontinued the Bonds may be transferred, registered and exchanged on the registration books of the Paying Agent/Registrar, and such registration shall be at the expense of the District though the District or Paying Agent/Registrar may require payment by an owner of the Bonds requesting a transfer or exchange of Bonds of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond. A Bond may be transferred or exchanged upon surrender to the Paying Agent/Registrar accompanied by a written instrument of transfer acceptable to the Paying Agent/Registrar duly executed by the Bondholder or his attorney duly authorized in writing. Upon surrender for transfer of any Bond to the Paying Agent/Registrar, the District shall execute and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same stated maturity and of any authorized denomination, and of a like aggregate principal amount.

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

Record Date for Bonds to be Redeemed . . . Neither the District nor the Paying Agent/Registrar shall be required (1) to issue, transfer, or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal on interest payment date, or (2) to transfer or exchange, in whole or in part, any Bond or any portion thereof selected for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

Investment Considerations . . . The Bonds involve certain investment considerations and all prospective bidders are urged to examine carefully the Preliminary Official Statement with respect to the investment considerations associated with the Bonds. Particular attention should be given to the information set forth therein under the caption “INVESTMENT CONSIDERATIONS.”

Municipal Bond Rating and Insurance . . . The District has made application to Moody’s Investors Service for a municipal bond rating in connection with the Bonds. The District has also made application to a bond insurance company for a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds. The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser. The purchase of insurance by the initial purchaser is at bidder’s option and bidder’s risk.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization, and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Reservation of Rights . . . The District reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

Not an Offer to Sell . . . This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

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

By submission of a bid, the Initial Purchaser represents that its sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register and qualify the Bonds in accordance with the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining exemption from registration or qualification, in any state where such action is necessary, provided that the District shall not be required to file a general or special consent to service or process in any jurisdiction.

Copies of Documents . . . Copies of the Official Notice of Sale, the Preliminary Official Statement, the Official Bid Form, Audits, and the pro forma Bond Order may be obtained at the offices of SAMCO Capital Markets, Inc. 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731, Financial Advisor to the District.

Doug Pillow, President
Board of Directors
Porter Special Utility District

June 24, 2019

OFFICIAL BID FORM

President and Board of Directors
 Porter Special Utility District
 22162 Water Well Road
 Porter, Texas 77365-5381

Directors:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of Porter Special Utility District (the "District") relating to its \$13,280,000 Waterworks System Revenue Bonds, Series 2019 (the "Bonds"), which by reference are made a part hereof. We recognize the special investment considerations involved in these securities and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District's legally issued Bonds, upon the terms and conditions set forth in the Bond Order, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$_____ (which represents _____% of par value) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds mature December 1 and bear interest in each year at the following rates:

<u>Maturity</u> <u>(December 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Mandatory</u> <u>Sinking Fund</u> <u>Installment</u>	<u>Maturity</u> <u>(December 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Mandatory</u> <u>Sinking Fund</u> <u>Installment</u>
2020	\$ 240,000	_____	_____	2033 (i)(ii)	\$485,000	_____	_____
2021	255,000	_____	_____	2034 (i)(ii)	510,000	_____	_____
2022	270,000	_____	_____	2035 (i)(ii)	540,000	_____	_____
2023	285,000	_____	_____	2036 (i)(ii)	570,000	_____	_____
2024	300,000	_____	_____	2037 (i)(ii)	600,000	_____	_____
2025	315,000	_____	_____	2038 (i)(ii)	635,000	_____	_____
2026	335,000	_____	_____	2039 (i)(ii)	670,000	_____	_____
2027 (i)(ii)	350,000	_____	_____	2040 (i)(ii)	705,000	_____	_____
2028 (i)(ii)	370,000	_____	_____	2041 (i)(ii)	745,000	_____	_____
2029 (i)(ii)	390,000	_____	_____	3042 (i)(ii)	785,000	_____	_____
2030 (i)(ii)	410,000	_____	_____	2043 (i)(ii)	825,000	_____	_____
2031 (i)(ii)	435,000	_____	_____	2044 (i)(ii)	875,000	_____	_____
2032 (i)(ii)	460,000	_____	_____	2045 (i)(ii)	920,000	_____	_____

- (i) The District reserves the right to redeem, prior to maturity, those Bonds maturing December 1, 2027 through 2045, both inclusive, in whole or from time to time in part on December 1, 2026 and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (ii) Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated). For those years, which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. The term bonds created are as follows.

<u>Term Bonds</u> <u>Maturity Date</u> <u>(December 1)</u>	<u>Year of</u> <u>First Maturity</u> <u>Redemption</u>	<u>Principal Amount</u> <u>of Term Bonds</u>	<u>Interest</u> <u>Rate</u>
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %

Our calculation (which is not a part of this bid) of the interest cost from the above bid is:	
Total Interest Cost.....	\$ _____
Plus: Cash Discount.....	\$ _____
Net Interest Cost	\$ _____
Net Effective Interest Rate	_____ %

The initial bond shall be registered in the name of Cede & Co. We will advise the office for payment of Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent"), on forms to be provided by the Paying Agent, of our registration instructions at least five (5) business days prior to the date set for initial delivery of Bonds on the closing date. We will not ask the Paying Agent to accept any registration instructions after the five (5) day period for delivery of Bonds on the closing date.

We are having all maturities of the Bonds insured by _____, at a premium of \$ _____, said premium to be paid by the Initial Purchaser. Any fees to be paid to the rating agencies as a result of such insurance will be paid by the Initial Purchaser.

Cashier's Check No. _____, issued by _____, _____, Texas and payable to your order in the amount of \$256,600 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

The bidder represents that that neither it nor any of its parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

The bidder represents that it and its parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the winning bid is a contract for goods or services, will not boycott Israel so long as bidder owns any of the Bonds. The foregoing verification will be made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The winning bidder understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the winning bidder and exists to make a profit.

The undersigned agrees to complete, execute, and deliver to the District, at least six (6) business days prior to the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. The undersigned further agrees to provide in writing the initial reoffering prices and other terms, if any, to SAMCO Capital Markets, Inc. by the close of the next business day after the award.

Entity Submitting Bid - Check One:

_____ Disclosure Form - Entity will provide a Disclosure Form as and when required by the Notice of Sale and Bidding Instructions.

_____ Publicly Traded Entity Representation - The entity hereby represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

(Syndicate members, if any)

Respectfully submitted,

By: _____

Authorized Representative

Phone Number: _____

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby accepted by Porter Special Utility District this _____ day

of _____, 2019.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

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\$13,280,000
PORTER SPECIAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Montgomery County, Texas)
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2019

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the “**Initial Purchaser**”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “**Bonds**”).

1. ***Reasonably Expected Initial Offering Price.***

(a) The undersigned is a duly authorized representative of the Initial Purchaser or of the manager of the syndicate of Initial Purchasers that purchased the Bonds from Porter Special Utility District (the “**Issuer**”) pursuant to a competitively bid sale (such underwriter or syndicate of underwriters is referred to herein as the “**Purchaser**”). In this capacity, the undersigned is familiar with the facts stated herein.

(b) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A (the “**Expected Offering Prices**”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(c) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(d) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

(e) The Underwriter has made a bona fide offering to the Public of all the Bonds of each Maturity at the respective Expected Offering Price set forth Schedule A.

If the Issuer received fewer than three bids for the Bonds, complete paragraph 2.

2. ***Hold the Price Rule.*** At least 10% of each maturity of the Bonds was sold to the Public at its respective Initial Offering Price, except for the Notes maturity in the years, ____, ____, ____, ____, ____, ____, ____, and ____ (the “**Excepted Maturities**”). Neither the Underwriter nor any person related to the Underwriter offered or sold to any person any Notes of any Excepted Maturity at a price that is higher than its Initial Offering Price during the period starting on the Sale Date and ending on the earlier of (i) the close of the 5th business day following the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of the Notes of that maturity to the public at a price no higher than its Initial Offering Price.

3. ***Defined Terms.***

(a) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party to an underwriter. The term “underwriter” means any person that agrees to participate in the initial sale of the Notes to the Public pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) or pursuant to a written contract directly or indirectly with any person which has entered into a written contract with the Issuer or with the lead underwriter to form a syndicate (for example, a retail distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Notes to the public). A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is August 26, 2019.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Winstead PC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[Initial Purchaser]

By: _____

Name: _____

Dated: _____, 2019

SCHEDULE A
EXPECTED OFFERING PRICES

(Attached)

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SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

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**PRELIMINARY OFFICIAL STATEMENT
DATED AUGUST 15, 2019**

Rating: Moody's "___"

NEW ISSUE BOOK-ENTRY-ONLY

See "MUNICIPAL BOND RATINGS AND INSURANCE"

In the opinion Bond Counsel, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, interest on the Bonds described herein is typically excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS—Opinion".

\$13,280,000

PORTER SPECIAL UTILITY DISTRICT

(A Political Subdivision of the State of Texas Located in Montgomery County, Texas)

WATERWORKS SYSTEM REVENUE BONDS, SERIES 2019

Dated: September 1, 2019

Due: December 1, as shown below

The \$13,280,000 Waterworks System Revenue Bonds, Series 2019 (the "Bonds") are special obligations of the Porter Special Utility District (the "District") issued pursuant to the Constitution and laws of the State of Texas, particularly, Chapters 49 and 65, Texas Water Code, and an Order authorizing the issuance of the Bonds (the "Bond Order or the "Order") adopted by the Board of Directors (the "Board") of the Porter Special Utility District (the "District"). The Bonds are special obligations of the District payable solely from and, together with the Outstanding Bonds (defined herein), secured by and payable from a first lien on and pledge of the Net Revenues (as defined in the Order) of the District's Waterworks System (hereinafter referred to as the "System"). Except for the pledge of the Net Revenues to secure the payment of the Bonds, the District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. ***The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District currently has no taxing power.*** See "THE BONDS – Source of Payment" herein. Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision, including particularly the section titled "INVESTMENT CONSIDERATIONS".

Interest on the Bonds will accrue from September 1, 2019 and be payable on December 1, 2019 and on each June 1 and December 1 (each an "Interest Payment Date"), thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar").

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

Proceeds from the sale of the Bonds will be used (i) to finance (a) construction of water well no. 9; (b) future water well no. 10; (c) Sorters Road Waterline relocation; (d) District office and maintenance supply buildings; (e) ground storage tank at the Copeland water plant; (f) the waterline crossing US 59 and the connection to Water Plant No. 1 (items (a) through (f) collectively the "Project"); and (ii) to pay the costs related to the issuance of the Bonds and one year of capitalized interest.

**MATURITY SCHEDULE
(Shown on Page 2)**

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by and the approving opinion of the Attorney General of Texas and the opinion of Radcliffe Bobbitt Adams Polley PLLC, Texas, Bond Counsel. Delivery of the Bonds through DTC is expected on or about September 26, 2019, in Houston, Texas.

**Bids Due: August 26, 2019 at 11:00 a.m., local time
at 22162 Water Well Road, Porter, Texas 77365-5381**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

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MATURITIES
(Due December 1)

CUSIP Prefix: 736292 (c)

<u>Principal Amount</u>	<u>Interest Rate (a)</u>	<u>Due</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix</u>	<u>Principal Amount</u>	<u>Interest Rate (a)</u>	<u>Due</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix</u>
\$240,000		2020		DJ9	\$485,000		2033*		DX8
255,000		2021		DK6	510,000		2034*		DY6
270,000		2022		DL4	540,000		2035*		DZ3
285,000		2023		DM2	570,000		2036*		EA7
300,000		2024		DN0	600,000		2037*		EB5
315,000		2025		DP5	635,000		2038*		EC3
335,000		2026		DQ3	670,000		2039*		ED1
350,000		2027*		DR1	705,000		2040*		EE9
370,000		2028*		DS9	745,000		2041*		EF6
390,000		2029*		DT7	785,000		2042*		EG4
410,000		2030*		DU4	825,000		2043*		EH2
435,000		2031*		DV2	875,000		2044*		EJ8
460,000		2032*		DW0	920,000		2045*		EK5

*Optional Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on December 1 of the years 2027 through 2045, both inclusive, in whole or from time to time in part, on December 1, 2026, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing December 1, 2027 through December 1, 2045 may be subject to mandatory sinking fund redemption. See "THE BONDS - Redemption Provisions".

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the bid to purchase the Bonds resulting in the lowest net interest cost, bearing interest as shown, at a price of _____% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of _____%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from September 1, 2019 to the date of delivery of the Bonds to the Initial Purchaser is to be added to the price.
- (c) "CUSIP" is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. The CUSIP numbers listed on the front cover page are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and the District makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CUSIP Global Services. The Underwriters and the District are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), this document constitutes an "Official Statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of the information permitted by the Rule.

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 or the Initial Purchaser.

This Official Statement does not alone 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, contracts, records, 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 SAMCO Capital Markets, Inc. for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the 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, 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 the Official Statement During Underwriting Period".

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of _____% of par plus accrued interest to date of delivery. 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 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 offering 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.

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

Securities Laws

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

MUNICIPAL BOND RATINGS AND INSURANCE

The District has made application to Moody's Investors Service ("Moody's") for a municipal bond rating in connection with the Bonds. The District has also made application to two bond insurance companies for a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds. **The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser. Such initial purchaser's option and expense.**

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization, and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

HURRICANE HARVEY

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

Impact on the District According to Bleyl Engineering (the "Engineer"), the District's pilot units being used to aid design of a new surface water treatment plant sustained approximately \$967,097 of damage as a result of Hurricane Harvey. The District has completed construction to repair or replace the damaged pilot units and expects to be reimbursed by the Federal Emergency Management Agency (FEMA) for a portion of those construction costs. The District did not receive notice of any homes or commercial improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

There can be no assurance that FEMA or any insurance company will reimburse the District for such damage or that any such reimbursement will be used to rebuild or repair any damaged improvements within the District. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."

THE DISTRICT

The Issuer Porter Special Utility District (the "District"), was originally created as Porter Water Supply Corporation on December 15, 1967. On January 10, 2005, Porter Water Supply Corporation converted to a Special Utility District, by an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"). The Commission authorized the conversion of Porter Water Supply Corporation into the District under Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 65. Pursuant to an election held on May 7, 2005, in accordance with Section 49.102, Texas Water Code, the voters of the District confirmed the District's creation and elected persons to serve as the initial directors for the District. The Board of Directors held their first meeting on May 23, 2005. Upon its creation, the District assumed all the assets and liabilities of the Porter Water Supply Corporation. See "THE DISTRICT – General."

Location..... The District, which encompasses approximately 14,402 acres of land, is located in Montgomery County, Texas. The District is approximately 24 miles northeast of the central business district of the City of Houston along U.S. Highway 59, which traverses the District from north to south. Portions of the District lie within the extraterritorial jurisdiction of the City of Houston, Texas and other portions of the District lie within the extraterritorial jurisdiction of the City of Conroe, Texas. See "THE DISTRICT."

Development within The District..... The District contains approximately 14,402 acres, of which approximately 9,638 acres are developed and approximately 1,545 acres are in the flood plain. As of June 2019, there were 5,161 single-family accounts and a combined 290 multi-family and commercial accounts. There are approximately 7,276 retail single-

family equivalent connections in the water system, plus an additional 1,397 wholesale single-family equivalent connections. Development within the District consists primarily of residential growth in various subdivisions throughout the District and commercial activity concentrated primarily along the U.S. Highway 59 corridor. Commercial development within the District consists of several strip and large shopping centers. There is no principal developer within the District. See “THE DISTRICT - Status of Development.

THE BONDS

Description	The Bonds in the aggregate principal amount of \$13,280,000 mature annually in varying amounts on December 1 of each year from 2020 through 2045, both inclusive. Interest accrues from September 1, 2019 at the rates per annum set forth on the inside cover page hereof and is payable on December 1, 2019 and on each June 1 and December 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General Description.”
Redemption.....	Bonds maturing in the years 2027 through 2045, both inclusive, are subject to redemption, in whole or from time to time in part, at the option of the District on December 1, 2026, and on any date thereafter at par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions”.
Source of Payment.....	The Bonds are special obligations of the District payable solely from and, together with the Outstanding Bonds (defined herein), secured by and payable from a first lien on and pledge of the Net Revenues (as defined in the Bond Order) of the District’s Waterworks System (hereinafter referred to as the “System”). Except for the pledge of the Net Revenues to secure the payment of the Bonds, the District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District currently has no taxing power. The Bonds are obligations solely of the Porter Special Utility District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; the City of Conroe, Texas; or any other political subdivision or entity other than the District. See “THE BONDS - Source of Payment.”
Payment Record.....	The District has never defaulted on the payment of any bond obligation. See “FINANICAL STATEMENT – Outstanding Bonds”.
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 65 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District and an order at the TCEQ. See “THE BONDS - Authority for Issuance.”

Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) finance (a) construction of water well no. 9; (b) future water well no. 10; (c) Sorters Road Waterline relocation; (d) District office and maintenance supply buildings; (e) ground storage tank at the Copeland water plant; and (f) the waterline crossing US 59 and the connection to Water Plant No. 1 (items (a) through (f) collectively, the “Project”); and (ii) to pay the costs related to the issuance of the Bonds. In addition, proceeds of the Bonds will be used to pay certain costs associated with the issuance of the Bonds and one year of capitalized interest. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Additional Debt Issuance.....	The District does not currently anticipate the issuance of additional debt. However, the District may issue additional bonds on parity with the Bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created.
Municipal Bond Ratings and Insurance	The District has made application to Moody’s Investors Service (“Moody’s”) for a municipal bond rating in connection with the Bonds. The District has also made application to two bond insurance companies for a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds. The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser. Such initial purchaser’s option and expense. An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization, and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.
General & Bond Counsel.....	Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas
Financial Advisor	SAMCO Capital Markets, Inc., Austin, Texas.
District Engineer.....	Bleyl Engineering, Conroe, Texas

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations, and all prospective purchasers are urged to examine carefully this Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to the investment security of the Bonds and other factors described therein.

OFFICIAL STATEMENT

relating to

\$13,280,000

PORTER SPECIAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas located in Montgomery County, Texas)
Waterworks System Revenue Bonds, Series 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Porter Special Utility District (the "District") of its \$13,280,000 Waterworks System Revenue Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 65 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, and an approving order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

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 Radcliffe Bobbitt Adams Polley PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019 or during the offering period from the District's Financial Advisor, SAMCO Capital Markets, Inc., Attn: Christina M. Lane, 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731 upon payment of reasonable copying, mailing and handling charges.

THE BONDS

General Description

The Bonds will bear interest from September 1, 2019 and will mature on December 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover hereof. Interest on the Bonds will be paid on December 1, 2019 and on each June 1 and December 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds will be available to purchasers in book-entry form only. The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation National Association, Houston, Texas ("Paying Agent/Registrar"). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for such payment to the beneficial owners of the Bonds.

Redemption Provisions

Optional Redemption. . . The Bonds maturing on and after December 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2026, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

Mandatory Sinking Fund Redemption...In addition to being subject to optional redemption, as provided above, the Bonds maturing December 1, _____ and December 1, _____ (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Bond Fund:

Bonds Maturing December 1,
Mandatory Principal
Redemption Date Amount

Bonds Maturing December 1,
Mandatory Principal
Redemption Date Amount

At least 30 days prior to the mandatory redemption date for the Term Bonds, the Paying Agent/Registrar will select at random the Term Bonds to be redeemed. Any Term Bonds not selected for prior redemption will be paid on the date of final maturity. To the extent, however, that the Term Bonds of a maturity which at least 45 days prior to a mandatory redemption date (i) have been previously purchased by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) called for optional redemption in part and other than from a sinking fund redemption payment, the annual sinking fund payments therefore will be reduced by the amount obtained by multiplying the principal amount of the Term Bonds of such maturity so purchased or redeemed by the ratio which each remaining annual sinking fund redemption payment therefore bears to the total sinking fund payments for such maturity, and by rounding each such payment to the nearest \$5,000 integral.

Notice of Redemption... The Paying Agent/Registrar will give written notice of redemption, by first class mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the register, 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 (in maturities 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 will 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 such random method as Paying Agent/Registrar shall deem fair and appropriate.

Termination of Book-Entry-Only System

The Bonds are subject to the book-entry-only system administered by DTC. See “BOOK-ENTRY-ONLY SYSTEM.” In the event the book-entry-only system is discontinued by DTC or the District, the following provisions will be applicable to the Bonds:

Payment... Principal of the Bonds will be payable at maturity to the owners of the Bonds, as shown by the registration books maintained by the Paying Agent/Registrar (individually, a “Bondholder” and collectively, the “Bondholders”) upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the designated office for payment of the Paying Agent/Registrar in Houston, Texas (the “Designated Payment/Transfer Office”). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent/Registrar by United States mail, first class, postage prepaid, to the Bondholders at their respective addresses shown on such records, or by such other method acceptable to the Bondholder and the Paying Agent/Registrar at the risk and expense of such Bondholder. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration... The Bonds may be transferred and re-registered on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of same maturity and interest and having a like aggregate principal amount upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the Bondholder or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent/Registrar. Transfer and exchange for Bonds will be without expense or service

charged to the Bondholder, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the Bondholder, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Bondholder not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds...Neither the District nor the Paying Agent/Registrar shall be required to make any transfer, conversion or exchange to an assignee of the Bondholder (i) during the period commencing on the close of business on the 15th calendar day of the month preceding each Interest Payment Date (the "Record Date") and ending with the opening of business on the next following principal or Interest Payment Date, or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Bondholder of the uncalled balance of a Bond.

Replacement Bonds...If a Bond is mutilated, the Paying Agent/Registrar will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is lost, stolen, or destroyed the Paying Agent/Registrar will provide a replacement Bond upon (i) the filing by the Bondholder with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of the Bond and the authenticity of the Bondholder's ownership, and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the Bondholder. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Source of Payment

The Bonds are special obligations of the District payable solely from and, together with the Outstanding Bonds (identified and described below under Outstanding Debt), secured by and payable from a first lien on and pledge of the Net Revenues (as defined in the Bond Order) of the District's Waterworks System (hereinafter referred to as the "System"). The term "Net Revenues" as defined in the Bond Order means all income or increment which may grow out of the ownership and operation of the District's plants, facilities and improvements (as same as purchased, constructed, or otherwise acquired), being the gross revenue income less such amount necessary to provide for the administration, efficient operation, and adequate maintenance of the District's plants, improvements, and facilities, and less the portion thereof derived from contracts with private corporations, municipalities, or political subdivisions which, under the terms of the authorizing orders, may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts.

In accordance with the Bond Order, depreciation and payments into the Bond Fund and the Reserve Fund (each as defined and described under "Funds" herein) shall never be considered as expenses of operation and maintenance. State law and the Bond Order provide that contractual obligations of the District for the supply of water constitute expenses of operation and maintenance. The District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. ***The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District currently has no taxing power.***

The Bonds are obligations of the District and are not the obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; the City of Houston, Texas; or any other political subdivision or any entity other than the District.

Outstanding Debt

The District has outstanding bonds (the “Outstanding Bonds”) secured by and payable from Net Revenues on a parity with the Bonds as follows as of July 1, 2019:

Dated Date	Outstanding Amount	Issue Description
05/02/2007(a)	\$ 810,000	Water System Revenue Bonds, Series 2007 (“Series 2007 Bonds”) (Installments)
11/28/2012	\$1,200,000	Waterworks System Revenue Refunding Bonds, Series 2012
12/01/2012(b)	\$4,700,000	Waterworks System Revenue Bonds, Series 2012A
09/01/2014(b)	\$8,555,000	Waterworks System Revenue Bonds, Series 2014

- (a) The Series 2007 Bonds were funded through the Texas Water Development Board (the “TWDB”) as an installment project.
- (b) The Series 2012A Bonds and Series 2014 Bonds were issued to fund projects associated with the District’s groundwater reduction plan required by the Lone Star Groundwater Conservation District. See “THE SYSTEM – Lone Star Groundwater Conservation District,” “– GRP Participation Agreements,” and “– Surface Water.”

Payment Record

The District has never defaulted on any of its debt service payments.

Funds

Bond Fund: The Bond Order establishes the District's Bond Fund which will include one year of capitalized interest from bond proceeds. The Bond Fund will be kept separate and apart from all other funds and accounts of the District and will be used only for paying the interest on and principal of the Bonds. Twelve months of capitalized interest plus accrued interest on the Bonds will be deposited to the credit of the Bond Fund upon issuance of the Bonds. In addition, Net Revenues budgeted to make payments of principal of and interest on the Bonds must be deposited into the Bond Fund one business day prior to the Interest Payment Date on which such payments are due. During each year while any of the principal of or interest on or maturing amounts of (as appropriate) the Bonds are outstanding and unpaid, the District will compute and ascertain a rate and amount of revenue which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest becomes due and the principal on the Bonds as such principal matures, taking into consideration whether the District reasonably expects to have surplus revenues or other revenue or receipts from other sources which are legally available for payment of principal and interest.

Operating Fund: The Bond Order confirms the establishment of the District’s Operating Fund, including the GRP Fund, which is an account within the Operating Fund. The Operating Fund is used for operating and maintaining the System and paying general and administrative expenses of the District. The District shall deposit to the credit of the Operating Fund all income or increment which may grow out of ownership and operation of the System unless derived from contracts with other persons, including private corporations, municipalities, and political subdivisions which, under the terms of the authorizing orders, may be pledged for requirements of the District’s revenue bonds issued particularly to finance the portion of the System needed in performing any such contracts. The Operating Fund shall be used solely to pay the obligations of the District and to the extent required for the following uses and in the order of priority shown:

FIRST: Pay all reasonable expenses of the administration, efficient operation, and adequate maintenance of the System or required by statute to be a first charge on and claim against the income and revenues of the System.

SECOND: Transfer the amounts of Net Revenues required to be deposited to the Bond Fund for payment of the Bonds, the Outstanding Bonds and any Additional Bonds (as such term is defined in “THE BONDS – Issuance of Additional Debt”) for the payment of principal and interest on such obligations as same becomes due and payable.

THIRD: Transfer the amounts required to be deposited in the Reserve Fund created and to be maintained for the benefit and security of the Bonds, the Outstanding Bonds and any Additional Bonds in accordance with the provisions of the Bond Order or any other order relating to the issuance of bonds of the District.

Any Net Revenues remaining in the Operating Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may remain or be transferred to the Operating Fund and appropriated and used for any other purpose now or hereafter permitted by law.

GRP Fund: The District has created and maintains the GRP Fund, which is part of its operating fund and into which it deposits payments from the Joint GRP Participants in accordance with the District's GRP Participation Agreements. The District may use money in the GRP Fund to pay the cost and expenses of the Joint GRP, including without limitation, the debt service on the Bonds issued to fund projects necessary or convenient to comply with Joint GRP. See "THE SYSTEM – Lone Star Groundwater Conservation District," "– GRP Participation Agreements," and "– Surface Water

Reserve Fund: In the Bond Order, the District has provided for the funding of a Reserve Fund to be held at a depository of the District, solely for the payment of principal and interest on the Bonds, the Outstanding Bonds and any Additional Bonds. The Bond Order requires the District to maintain an amount (the "Reserve Fund Balance") equal to the lesser of (i) the average annual principal and interest requirements for the Bonds, the Outstanding Bonds and any Additional Bonds, as determined on the date each series of Additional Bonds is delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated there under. Upon the issuance of the Bonds or any Additional Bonds, the Bond Order requires the District to fund the resulting increase in the required Reserve Fund Balance by either (i) by depositing to the credit of the Reserve Fund (immediately after the delivery of the Bonds or the then proposed Additional Bonds) cash or (ii) at the option of the District, by making monthly deposits from funds in the Operating Fund on or before the 25th day of each month following the month of delivery of the Bonds or the then proposed Additional Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Bonds then being issued or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond or insurance policy). The District intends to fund the required Reserve Fund Balance by making monthly deposits from the Operating Fund of not less than 1/60th of the additional amount to be maintained in the Reserve Fund as a result of the issuance of the Bonds.

Escrow Fund: The Bond Order establishes the District's Escrow Fund. The Escrow Fund is the fund into which a portion of the proceeds of the Bonds shall be placed, and a portion of the District's Outstanding Bonds have been placed, until the TCEQ has approved the release of money from the Escrow Fund, from time to time, for deposit into the Construction Fund.

Construction Fund: The Bond Order establishes the District's Construction Fund. The Construction Fund is the fund into which a portion of the proceeds of the Bonds shall be placed on the date of delivery of the Bonds, and into which the money in the Escrow Fund will be deposited, from time to time, upon approval of the TCEQ. The Construction Fund shall be used to pay the cost of the Project. Amounts remaining in the Construction Fund upon completion of the Project, subject to the TCEQ's approval and that of nationally-recognized bond counsel, may be transferred to the Bond Fund or used for other similar projects of the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds and the projects related thereto.

Rate Covenants

So long as any of the District's bonds remain Outstanding Bonds, the Bond Order provides that the District shall at all times fix, maintain, charge and collect for services rendered by the System, rates and charges which will produce Gross Revenues at least sufficient to pay all expenses of operation and maintenance of the System, and to provide Net Revenues adequate to pay promptly all of the principal and interest on the Outstanding Bonds, and to make all deposits required to be made into the Funds heretofore created and confirmed by the Bond Order.

Authority for Issuance

By order dated June 10, 2019 (the "TCEQ Order"), the TCEQ approved the issuance and sale of the Bonds by the District subject to certain restrictions, including restrictions on the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS".

The Bonds are issued by the District pursuant to the TCEQ Order, and the terms and conditions of the Bond Order; Article XVI, Section 59 of the Constitution of the State of Texas; Chapters 49 and 65 of the Texas Water Code, as amended; general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; and City of Houston Ordinance No. 2001-6802 (consenting to the District's Creation).

Before the Bonds can be issued, the Attorney General of Texas must initially 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.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District has expressly reserved the right to issue in one or more installments, for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, any additional bonds (the "Additional Bonds") as may hereafter be authorized for any lawful purpose, including refunding bonds, which when issued and delivered, shall be payable from and secured by a first lien on and pledge of the Net Revenues of the system covered in the same manner and to the same extent as the Bonds. Additional Bonds may only be issued if Net Revenues are at least 1.25 times the average annual debt service requirements after giving effect to the Additional Bonds when Net Revenues are (a) determined from the last complete fiscal year or a 12-consecutive-month-period ending not more than ninety (90) days preceding the adoption of the Additional Bonds as certified by a certified public accountant, or (b) determined from projected net revenues for a twelve-month-period based on rates or charges in effect for at least sixty (60) days prior to the month in which the issuance of the additional debt is authorized, as certified by a certified public accountant or professional engineer.

The District further reserves the right to issue bonds, notes, or other obligations of inferior liens and bonds, notes or other obligations payable from sources other than the Net Revenues.

The Bond Order imposes no limitation on the amount of Additional Bonds which may be authorized for issuance by the District or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

Consolidation

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

Conversion to Municipal Utility District

A district (such as the District) has the legal authority to convert into a municipal utility district. Upon such conversion, a district would operate pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District has considered the possibility of such conversion in the past and may choose to so convert in the future, but currently has no such plans. However, any such decision would not impact the validity of or the security for the Bonds, as described in the Bond Order.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that bonds, such as the Bonds, are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for banks, savings banks, trust companies, building and loan association, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act (Chapter 2256, Texas Government Code) requires that the Bonds be assigned a rating of "A" or its equivalent, by a national rating agency. See "MUNICIPAL BOND RATINGS AND INSURANCE" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent

investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State of Texas, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations, or investment criteria that might apply to such institutions and entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Bondholders/Beneficial Owners (the "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/Registrar) of the Bonds or other obligations of the District payable from revenues, or from ad valorem taxes or both, and with a commercial bank or trust company designated in the proceeding authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, (b) non-callable 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) non-callable 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 firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form and will mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds will 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; however, the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Specific Tax Covenants

In the Bond Order, the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the use of facilities financed therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exclusion from gross income of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Amendment to Bond Order

The Bond Order contains provisions to the effect that the District may, without the consent of or notice to any Owners, amend, change or modify the Bond Order as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change that does not in any respect materially and adversely affect the interest of the Owners of the Bonds. Except for such amendments, changes or modifications, the District may not amend, change or modify the Bond Order in any manner without the consent of 51% the Owners in aggregate principal amount of the outstanding Bonds.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land that is not served by District facilities. No representation is made concerning the likelihood that the District would affect any additional changes in its boundaries.

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by 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 believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (“SEC”), 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 requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue 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”). DTC has a rating of AA+ from S&P Global Ratings, a division of Standard & Poor’s Financial Services. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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).

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant’s interest in the Bonds, on DTC’s records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar’s DTC account.

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 as set forth in the Order. 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 Bondholders.

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

EXTRATERRITORIAL JURISDICTION AND ANNEXATION

Portions of the District lie within the extraterritorial jurisdiction ("ETJ") of the City of Houston, while other portions lie within the City of Conroe's ETJ. Under Texas law, a city may annex a special district located within its extraterritorial jurisdiction pursuant to certain statutory provisions, including without limitation, Chapter 43, Texas Local Government Code, as amended, in which case the special district may be dissolved by the annexing city. If such special district is dissolved, the annexing city succeeds to the powers, duties, assets, and obligations of the special district. Such annexation requirements include the annexing city to hold an election within the special district whereby the qualified voters of such district must approve the proposed annexation in order for the city to annex the special district. Annexation of territory by a city is a policy matter within the discretion of a city's Mayor and City Council. No representation is made by the District concerning the annexation of the District by either the City of Houston or the City of Conroe or either such city's ability to make debt service payments on the Bonds or Outstanding Bonds should annexation occur.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The presently estimated use and distribution of Bond proceeds is set forth below.

<u>Construction Costs:</u>	<u>Amount</u>
A.	
1. Emergency Water Well No. 9 and Water Plant Improvements	\$2,335,970
2. Future Water Well No. 10 and Water Plant Improvements	2,863,000
3. Sorters Road Waterline Improvements (Phase I)	565,520
4. Sorters Road Waterline Improvements (Phase II)	915,780
5. District Office Bldg. & Maintenance Supply Bldg.	750,000
6. Ground Storage Tank at Copeland Water Plant	750,000
7. Auburn Trails U.S. 59 Crossing & Connection to Water Plant No. 1	392,410
8. Engineering	1,464,080
9. Contingencies (10% for item 1 & 15% for item nos. 2-7)	1,169,104
10. Land Acquisition for Water Plant No. 10 Site	<u>143,750</u>
TOTAL CONSTRUCTION COSTS:	\$11,349,614
<u>Non-Construction Costs:</u>	
A. Legal Fees (2%)	\$265,600
B. Fiscal Agent Fees (2%)	265,600
C. Capitalized Interest (12 months at 5.50%)	730,400
D. Bond Issuance Expense	94,886
E. Bond Application Report Cost	132,800
F. Bond Discount (3%)	398,400
G. Attorney General Fee (0.10% or Max \$9,500)	9,500
H. TCEQ Bond Issuance Fee (0.25%)	<u>33,200</u>
TOTAL NON-CONSTRUCTION COSTS:	\$1,930,386
TOTAL BOND ISSUE REQUIREMENT	<u>\$13,280,000</u>

INVESTMENT CONSIDERATIONS

General

The Bonds are special obligations of the District payable solely from and, together with the Outstanding Bonds (identified and defined in the Bond Order and described below), secured by and payable from a first lien on and pledge of the Net Revenues (as defined in the Bond Order) of the District's Waterworks System (hereinafter referred to as the "System"). The term "Net Revenues" as defined in the Bond Order means all income or increment which may grow out of the ownership and operation of the Issuer's plants, facilities and improvements (as same as purchased, constructed, or otherwise acquired), being the gross revenue income less such amount necessary to provide for the administration, efficient operation, and adequate maintenance of the District's plants, improvements, and facilities, and less the portion thereof derived from contracts with private corporations, municipalities, or political subdivisions which, under the terms of the authorizing resolutions, may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts. In accordance with the Bond Order, depreciation and payments into the Bond Fund and the Reserve Fund shall never be considered as expenses of operation and maintenance. State law and the Bond Order provide that contractual obligations of the District for the supply of water constitute expenses of operation and maintenance. The District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. *The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District currently has no taxing power.*

The Bonds are limited obligations of the District payable solely from Net Revenues and are not the obligations of the State of Texas; Montgomery District, Texas; the City of Houston, Texas; the City of Conroe, Texas; or any other political subdivision or any entity other than the District.

Hurricane Harvey

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

According to the Engineer, the District's pilot units being used to aid design of a new surface water treatment plant sustained approximately \$967,097 of damage as a result of Hurricane Harvey. The District has completed construction to repair or replace the damaged pilot units and expects to be reimbursed by the Federal Emergency Management Agency (FEMA) for a portion of those construction costs. The District did not receive notice of any homes or commercial improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

There can be no assurance that FEMA or any insurance company will reimburse the District for such damage or that any such reimbursement will be used to rebuild or repair any damaged improvements within the District.

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.

Remedies in Event of Default

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued” or “plead and be impleaded”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Therefore, Section 49.066, Texas Water Code, does not waive immunity of a municipal utility district for suits for money damages.

Although an Owner could presumably obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, an Owner could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See “INVESTMENT CONSIDERATIONS - Owners’ Remedies, and - Bankruptcy Limitation to Owners’ Rights.”

The Local Government Immunity Waiver Act applies to districts and relates to contracts entered into by districts for goods or services. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, as discussed above, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Bankruptcy Limitation to Owners' Rights

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect an 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 the Owner's claim against a district.

Marketability

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS - Tax Exemption."

Future Debt

The District has also expressly reserved the right to issue in one or more installments, for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, any Additional Bonds as may hereafter be authorized for any lawful purpose, including refunding bonds, which when issue and delivered, shall be payable from and secured by a first lien on and pledge of the Net Revenues of the system covered in the same manner as to the same extent as the Bonds. Additional revenue obligations as such may only be incurred if Net Revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when Net Revenues are (a) determined from the last complete fiscal year or a 12-consecutive-month-period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant, or (b) determined from projected net revenues for a twelve-month-period based on rates or charges in effect for at least sixty (60) days prior to the month in which the issuance of the additional debt is authorized, as certified by a certified public accountant or professional engineer.

The District further reserves the right to issue bonds, notes, or other obligations of inferior liens and bonds, notes or other obligations payable from sources other than the Net Revenues.

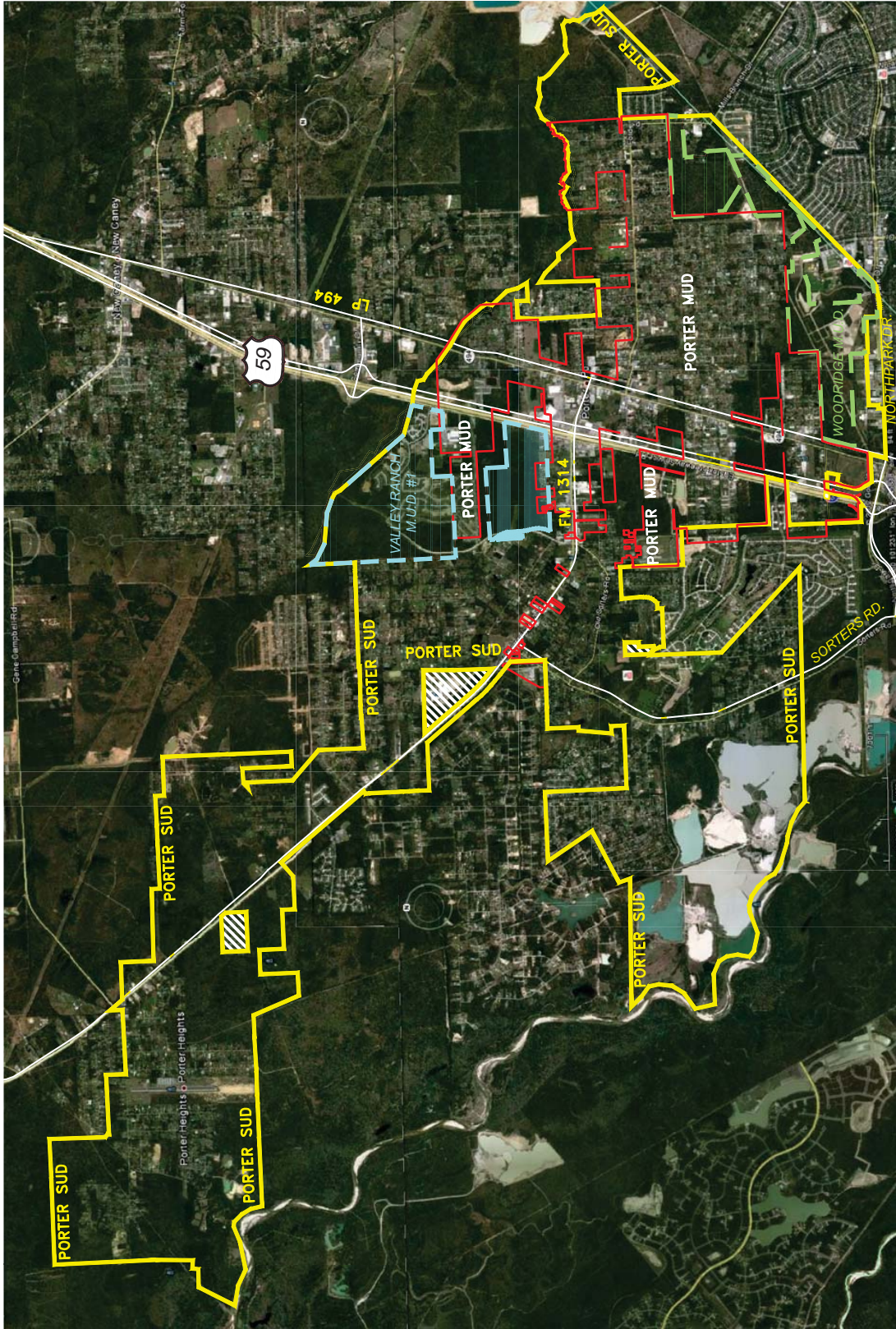
In addition, future, changes in health, environmental, or other governmental regulations could require the construction and financing of additional improvements without any corresponding increases in Net Revenues in the District. See "THE BONDS – Issuance of Additional Debt."

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, or will be approved subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS".

In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

DISTRICT MAP



PORTER SPECIAL UTILITY DISTRICT MAP

LEGEND

PORTER SUD	TRACTS NOT INCLUDED IN SUD
PORTER MUD	
VALLEY RANCH MUD	
WOODRIDGE MUD	

BLEYL ENGINEERING
 PLANNING • DESIGN • MANAGEMENT

Metes & Bounds herein were NOT prepared from on-the-ground surveys. Bearings and distances were compiled from record documents and plats in combination with measurements scaled from a rectified, digital aerial photograph. For the most part, record distances and angular relationships between property lines were honored. Tracts were rotated and translated to mesh with one another, and to fit improvements that appeared on the aerial photograph. The result of this process is that all tracts have been rotated to the same bearing and coordinate system, i.e. Texas State Plane Coordinate System, South Central Zone, NAD 83. Distances are horizontal surface distances. Annexation tracts were rotated to be relative to the overall boundary.

THE DISTRICT

General

Porter Special Utility District (the "District") was originally created as Porter Water Supply Corporation on December 15, 1967. On January 10, 2005, the Corporation converted to Porter Special Utility District by an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"). The Commission authorized the conversion of Porter Water Supply Corporation into the District, under Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 65, as amended. Pursuant to an election held on May 7, 2005, in accordance with Section 49.102, Texas Water Code, the voters of the District confirmed the District's creation and elected persons to serve as directors for the District. The Board of Directors held their first meeting on May 23, 2005. Upon its creation, the District assumed all the assets and liabilities of the Porter Water Supply Corporation.

The District contains approximately 14,402 acres of land within its boundaries of which approximately 9,638 acres are developed and approximately 1,545 acres are in the flood plain.

The District has the statutory authority, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

Location

The District is located in Montgomery County, Texas, approximately seven miles north of the corporate limits of the City of Humble, Texas, approximately 19 miles south of the corporate limits of the City of Cleveland, Texas, and approximately 25 miles north of the central business district of the City of Houston, Texas. Main access to the District is provided by Farm to Market Road 1314 ("FM 1314") which bisects the District from its Northeast corner until it intersects U.S. Highway 59. Portions of the District are located in the extraterritorial jurisdiction of the City of Conroe while other portions are located within the City of Houston's extraterritorial jurisdiction.

Management of the District

Board of Directors

The District is governed by a board, consisting of seven directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the first Saturday in May in each even numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Doug Pillow	President	2 Years	2021
Jodi Ruonavar	Vice President	9 Months	2020
Caroline E. Denham	Secretary	2 Years	2020
Danny L. Bridges	Treasurer	6 Years	2021
Johnny L. Barr	Asst. Sec/Treasurer	1 Month	2021
Jason Ashy	Director	7 Years	2020
Vacant	Director		2020

General Manager and Staff

Jonathan Smith is the General Manager and David Sutton is the District Field Operations Manager. The Office Manager is Amanda Phillips, assistant to Mr. Smith and Mr. Sutton. There are currently approximately nine additional field staff and approximately three office staff members.

The District has entered into a defined contribution pension plan named the Profit-Sharing Plan (the "Plan") for its employees. The District administers the plan. A defined contribution pension plan provides pension benefits in return for services rendered. The Plan provides an individual account for each participant and specifies how contributions to the individual's account are to be determined. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. As established by the Plan, all employees who have satisfied the

eligibility requirements must participate in the Plan. No contributions are allowed to be made by the employee into the Plan. Any and all contributions made by the District are vested as follows after satisfying the eligibility requirements:

After two years of service, the employee is vested 20 percent, three years 40 percent, four years 60 percent, five years 80 percent, and six years 100 percent.

An employee who leaves the employment of the District is entitled to the District's contributions if eligibility requirements are satisfied. The contributions are discretionary, to be determined by the District, and are not limited to net profits. During fiscal year 2019, the District's contribution was \$27,360.93.

Consultants

Bookkeeper/Accountant

The District has engaged Municipal Accounts & Consulting, LP, a bookkeeping and accounting firm.

Engineer

The District's consulting engineer is Bleyl Engineering (the "Engineer").

Auditor

The District's audited financial statements for the year ended May 31, 2018, were prepared by Belt Harris Pechacek. See APPENDIX A for a copy of the District's year end May 31, 2018 audited financial statements. The District has engaged Belt Harris Pechacek to prepare the audited financial statements for the year ended May 31, 2019.

Financial Advisor

SAMCO Capital Markets, Inc serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds issued sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond & General Counsel

The District has engaged Radcliffe Bobbitt Adams Polley PLLC ("RBAP") Houston, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. RBAP also serves as the District's general counsel.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel.

Development

Development in the District consists primarily of residential growth in various subdivisions throughout the District and commercial activity concentrated primarily along the U.S. Highway 59 corridor. As of June 2019, there were 5,161 single-family accounts in the District, and a combined 290 multi-family and commercial accounts. In addition, the District has four wholesale accounts, where the District provides water to other utility districts equal to approximately 1,397 single family connections. There are approximately 7,276 retail single-family equivalent connections in the water system, plus an additional 1,397 wholesale single family equivalent connections.

There are approximately 307 commercial businesses within the District's boundaries with several under construction, including Wal-Mart; The Home Depot; Kroger Family Center; Walgreens; CVS; McDonalds; Whataburger; Hotels; Gas Stations; and Restaurants. Additional businesses are currently under construction.

There are approximately 1,340 Multi-Family Units within the District broken down as follows: (1) 15 Mobile home parks with a total of 375 units; (2) 8 Apartment Complexes with a total of 959 units; (3) and 6 duplex units. There are also 6 schools within the District, all of which are in the New Caney School District.

Future Development

The District contains approximately 3,267 acres of developable acreage outside of the 100-year floodplain. There remain smaller undeveloped tracts within areas considered to be developed. There is no principal developer in the District.

Annexation of the District

The District lies within the extraterritorial jurisdiction of the Cities of Conroe and Houston, Texas. See “EXTRATERRITORIAL JURISDICTION AND ANNEXATION” for a discussion of the ability of the City of Houston or Conroe to annex the District.

THE SYSTEM

General

The purchase, acquisition and construction of existing waterworks facilities were financed by the District with the previous bond proceeds, and the facilities were designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to Bleyl & Associates (the “Engineer”), the design of all such facilities was approved by all governmental agencies, which had jurisdiction over the District at the time.

Operation of the District’s waterworks 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 revision.

Groundwater

The District currently produces groundwater from 4 operational water wells, with capacities ranging from 500 gallons per minute (“gpm”) to 2,200 gpm, accounting for a total groundwater capacity of 6,400 gpm. The District currently pumps approximately 830 million gallons per year (“MGY”), but is permitted for approximately 770 MGY. The existing water plants include a combined 2,770,000 gallons of elevated and ground storage tank capacity as well as 8,300 gpm of booster pump capacity.

The District is a party to a Unilateral Emergency Water Supply Agreement with Montgomery District Municipal Utility District No. 56.

Lone Star Groundwater Conservation District

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”) which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions. The Conservation District requires persons and entities, including the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District’s rules. The Conservation District currently bills permit holders, including the District, \$0.105 per 1,000 gallons of water pumped from wells to finance the Conservation District’s operations. This amount is subject to future increases.

In addition, the Conservation District adopted its District Regulatory Plan, which called for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long-term depletion of the aquifers. The District Regulatory Plan required Large Volume Groundwater Users (“LVGUs”), including the District, to submit a Groundwater Reduction Plan (“GRP”) individually, or jointly with other LVGUs, to ensure that necessary progress is made by each participant to appropriately plan, finance, design, construct, and otherwise implement conservation measures and/or develop an alternative water source so that, by the end of calendar year 2016, it will have met its initial conversion obligation. The Conservation District’s initial conversion obligation mandated that LVGU’s reduce their groundwater production to no more than 70% of their 2009 groundwater permit by January 1, 2016. Water demand in excess of the 30% reduction was to be met by an alternative water supply.

Various legal and regulatory challenges to the Conservation District's rules and regulations, including the District Regulatory Plan, have been filed. One such challenge (*City of Conroe, et al., v. Lone Star Groundwater Conservation District, et al., Case No. 15-08-08942-CV* in the 284th District Court filed in the 284th Judicial District Court, Montgomery County, Texas) has resulted in a court order invalidating a portion of the District Regulatory Plan. In addition, the current Conservation District Board of Directors has indicated its intent to implement major changes to the District Regulatory Plan, including eliminating the GRP requirement. As a result, it is anticipated that the Conservation District will consider and may adopt new groundwater regulations in the future. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells.

GRP Participation Agreements

In order to comply with the District Regulatory Plan, the District, on behalf of itself, Chateau Woods Municipal Utility District ("CWMUD"), and Crystal Springs Water Company (CSWC) (collectively the "Joint GRP Participants") submitted a joint GRP to the Conservation District. Through GRP Participation Agreements between the District and CWMUD and CSWC, respectively, both executed in March 2011 (the "Joint Participation Agreements"), the District serves as the management sponsor of the joint GRP. In accordance with the GRP Participation Agreements, the Joint GRP Participants must contribute financially to the cost of the GRP pro rata based on the amount of groundwater produced by each Joint GRP Participant's groundwater wells and the District must maintain separate books of accounts for all GRP revenue and expenses.

The District issued its Series 2012-A Bonds and Series 2014 Bonds, both of which are secured by the Net Revenues of the District, in order to finance infrastructure projects necessary to develop a supply of potable surface water and to distribute that surface throughout the District, as contemplated in the joint GRP. However, as a result of various project delays (See "--Surface Water," below), as of June 24, 2019, the District still has \$11,352,894 from the proceeds of the Series 2012-A Bonds and Series 2014 Bonds which has not been expended. As a result of the GRP Participation Agreements, the District cannot utilize these unspent proceeds for projects unrelated to the joint GRP.

Citing LSGCD's Board of Directors' stated intent to change its regulations, in May and June 2019 CWMUD and CSWC, respectively, notified the District of their desire to no longer participate in the joint GRP. As of July 1, 2019, CWMUD has continue to perform its obligations under its GRP Participation Agreement, while CSWC has ceased paying money it owes pursuant to its GRP Participation Agreement. Issues related to the GRP Participation Agreements may result in litigation between the District and CWMUD and/or CSWC, respectively. The District makes no representation as to the likelihood of any such litigation occurring or, if litigation occurs, the likelihood of any particular outcome of such litigation.

Surface Water

The District has entered into a Water Supply Agreement, effective March 29, 2011, with the City of Conroe for a term lasting at least through December 31, 2060, to acquire up to 2 MGD of raw water to be conveyed through the West Fork of the San Jacinto River. The agreement includes a provision for the District and the City of Conroe to negotiate extending the agreement for an additional 35 years at the end of the initial term. The District currently does not utilize surface water.

Wastewater System

The District does not own or operate wastewater treatment facilities. The District only has authority to provide and distribute water. The order approving the District's conversion from Porter Water Supply Corporation to the District stated that the District could not provide wastewater service.

Drainage System

The District does not own, operate or maintain any drainage or storm water facilities.

100-year Flood Plain

The District is not charged with floodplain or storm water management. Approximately 1,545 acres of the District lie within the FEMA 100-year floodplain.

Water System Operations

Rate and Fee Schedule

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District’s water service, which have been in effect since November 1, 2015.

Water (Monthly Billing)

Retail Minimum Charge (No water included)

5/8 x 3/4” Meter	\$11.00
1” Meter	\$28.00
1 ½” Meter.....	\$56.00
2” Meter	\$112.00
3” Meter	\$200.00
4” Meter	\$336.00
6” Meter	\$693.00
8” Meter	\$1,008.00
0 to 3,000 gallon charge	\$2.10 per 1,000 gallons
3,001 to 10,000 gallon charge (over 3,000 gallons)	\$2.60 per 1,000 gallons
10,001 to 25,000 gallon charge (over 10,000 gallons)	\$3.10 per 1,000 gallons
25,001 to 35,000 gallon charge (over 25,000 gallons)	\$4.10 per 1,000 gallons
35,001 and up gallon charge (over 35,000 gallons)	\$4.60 per 1,000 gallons
Summer Surcharge beginning at 25,001 gallons and up (June, July, Aug) ..	\$4.60 per 1,000 gallons
Groundwater Conservation Fee (GCF).....	\$0.10 per 1,000 gallons
Groundwater Reduction Plan (GRP)	\$1.75 per 1,000 gallons
(5/8” x 3/4” Meter)	
Groundwater Reduction Plan (GRP)	\$2.00 per 1,000 gallons
(1” Meter & Larger)	
Texas Commission on Environmental Quality Fee:.....	0.5% of total bill

Wholesale Water Rates

Monthly Minimum Water Rate.....	\$310.00
Cost per 1,000 Gallons	\$2.10
Groundwater Conservation Fee (GCF).....	\$0.10 per 1,000 gallons
Groundwater Reduction Plan (GRP)	\$1.75 per 1,000 gallons
(5/8” x 3/4” Meter)	
Groundwater Reduction Plan (GRP)	\$2.00 per 1,000 gallons
(1” Meter & Larger)	

***Note** – Additional charges, such as tap fees, deposits, impact fees, etc. are set by contract between the SUD and the wholesale customer.

Groundwater Reduction Plan Fees

The District currently charges a Groundwater Reduction Plan (“GRP”) Fee to the vast majority of its customers of \$1.75 per 1,000 gallons of water consumption, but customers with a meter of one inch (1”) or larger are charged a fee of \$2.00 per 1,000 gallons of water consumption. Pursuant to the GRP Participation Agreements with the other participants in the District’s Joint GRP, the Joint GRP participants must pay to the District each month a fee equal to the GRP Fee the District charges to its customers, multiplied by the participant’s total water production. The District has sole authority to adjust the amount of the GRP Fee from time to time based upon the revenue the District determines to be necessary or convenient to pay any and all expenses related to the Joint GRP.

The District cannot predict the amount or level of GRP Fees which may be necessary in the future but anticipates the need to substantially increase such fees over time. The District also cannot predict whether the Joint GRP participants will continue to pay GRP fees as required by their GRP Participation Agreements. See “THE DISTRICT – General – Water System – Surface Water.”

Historical Water Consumption (Gallons)

<u>Calendar Year End</u>	<u>Total Gallons Pumped (b)</u>	<u>Wholesale Gallons Pumped</u>
2019 (a)	373,965,000	67,508,672
2018	837,731,000	171,955,689
2017	827,966,000	148,516,050
2016	761,318,000	86,406,393
2015	714,560,076	98,107,047

(a) January thru June 2019.

(b) 2015 through 2018 from TWDB Water Use Survey.

Ten Largest Water Customers (Based on Gallons Consumed) (a)(b)

<u>Name of Customer</u>	<u>Gallons</u>	<u>% of Total (a)</u>
Valley Ranch MUD No. 1 (c)(d)	68,230,680	9.42%
Woodridge MUD(d)	47,603,700	7.10%
Montgomery Co. MUD 84(c)(d)	20,039,796	3.08%
Montgomery Pines Apartments (c)	14,020,056	2.09%
New Caney ISD	11,245,524	1.68%
Porter Kwik Kar CA	6,092,400	0.91%
Porter Apartments (c)	6,082,488	0.91%
Ready Mix Inc.	6,046,128	0.90%
Park Ave. Group	4,751,988	0.71%
Oshiro B.J. Hi-Flow	4,400,772	0.66%

(a) Based on 670,813,952 gallons pumped between 1/2018 to 12/2018.

(b) Based on usage accounts report dated 6/21/19.

(c) Combines multiple Meters.

(d) Wholesale Customer.

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FINANCIAL INFORMATION

Condensed Statement of Operations

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information. See "APPENDIX A – Audited Financial Statement.

	<u>05/31/19 (d)</u>	<u>05/31/18(a)</u>	<u>Fiscal Year End</u> <u>05/31/17 (a)</u>	<u>05/31/16 (a)</u>	<u>05/31/15 (a)</u>
<u>OPERATING REVENUE</u>					
Water Service	\$4,134,228	\$4,264,001	\$4,098,731	\$4,186,324	\$3,343,387
Impact fees (b)	599,925	623,700	473,700	353,801	906,000
Investment Earnings	46,798	600	1,826	9,049	13,641
Miscellaneous Revenues	626,213	60,958	54,491	117,121	204,100
GRP Miscellaneous Rev	452,774	529,601	525,432	519,059	353,362
GRP Investment Earnings	<u>207,200</u>	<u>104,704</u>	<u>39,156</u>	<u>19,763</u>	<u>12,795</u>
TOTAL REVENUES	<u>\$6,067,138</u>	<u>\$5,583,564</u>	<u>\$5,193,336</u>	<u>\$5,205,117</u>	<u>\$4,833,285</u>
<u>OPERATING EXPENSES (c)</u>					
Personnel Services	\$1,045,454	\$847,306	\$819,575	\$686,723	\$817,099
Professional Fees	283,482	120,344	112,018	120,763	61,482
Contracted Services	53,032	57,000	53,150	50,400	50,400
Administrative Expenditures	243,659	336,562	275,106	299,261	257,532
Utilities	193,503	193,972	179,932	203,481	181,264
Repairs and Maintenance	203,900	179,301	65,943	118,291	96,576
GRP Expenses	345,567	753,735	649,119	387,377	2,919,653 (e)
Other	<u>234,177</u>	<u>212,002</u>	<u>137,114</u>	<u>85,542</u>	<u>75,635</u>
TOTAL EXPENDITURES	<u>\$2,602,774</u>	<u>\$2,700,222</u>	<u>\$2,291,957</u>	<u>\$1,951,838</u>	<u>\$4,459,641</u>
NET REVENUES OF THE SYSTEM	\$3,464,364	\$2,883,342	\$2,901,379	\$3,253,279	\$373,644
Equivalent Single-Family Water Connections Served (f)	8,673	8,523	8,222	7,639	7,599

(a) Audited.

(b) Impact fees are used to fund expansion/enlargement of infrastructure necessary to accommodate growth within the District, including in some cases payment of debt service on bonds issued to finance such infrastructure.

(c) Excludes depreciation and capital outlays.

(d) UN-AUDITED June 1, 2018 through May 31, 2019. Provided by Municipal Accounts & Consulting LP. Does not include approximately \$967,097 in reimbursement funds from FEMA. **Approximately \$1,492,266** will be reimbursed to the operating fund from bond proceeds.

(e) One-time purchase of pre-paid GRP Conversion Credits from Montgomery County MUDs 3, 4, and 18.

(f) Connections are based on calendar year. 2019 connections added from January thru June.

Coverage and Fund Balances

Projected Average Annual Principal and Interest Requirements, 2020 – 2032 (a)	\$2,295,676
Coverage of Average Requirements by 5/31/2019 Net System Revenues	1.51x
Projected Maximum Principal and Interest Requirements 2024	\$2,498,975,
Coverage of Maximum Requirements by 5/31/2019 Net System Revenues	1.39x
Outstanding Bonds (a)	\$28,545,000
Reserve Fund as of May 31, 2019(b)	\$1,371,141

(a) Includes the Bonds; preliminary, subject to change.

(b) As of May 31, 2019, the Required Reserve amount is \$1,334,805 for the Outstanding Bonds. The District plans to fund the reserve for the Bonds with 60 months of payments as described herein THE BONDS – Funds – Reserve Fund”.

DEBT SERVICE REQUIREMENTS
PORTER SPECIAL UTILITY DISTRICT
\$13,280,000
Waterworks System Revenue Bonds, Series 2019

Issue Dated: September 1, 2019
First Interest Payment Due: December 1, 2019

Year Ending 12/31	Outstanding Bonds Total	Series 2019				Principal & Interest	Total Debt Service Requirement
		Principal (Due 12/01)	(Due 06/01)	Interest * (Due 12/01)	Total		
2019	1,427,095	-	-	182,600	182,600	182,600	1,609,695
2020	1,449,712	240,000	365,200	365,200	730,400	970,400	2,420,112
2021	1,460,754	255,000	358,600	358,600	717,200	972,200	2,432,954
2022	1,485,050	270,000	351,588	351,588	703,175	973,175	2,458,225
2023	1,498,958	285,000	344,163	344,163	688,325	973,325	2,472,283
2024	1,526,325	300,000	336,325	336,325	672,650	972,650	2,498,975
2025	1,284,963	315,000	328,075	328,075	656,150	971,150	2,256,113
2026	1,300,075	335,000	319,413	319,413	638,825	973,825	2,273,900
2027	1,235,895	350,000	310,200	310,200	620,400	970,400	2,206,295
2028	1,163,885	370,000	300,575	300,575	601,150	971,150	2,135,035
2029	1,167,400	390,000	290,400	290,400	580,800	970,800	2,138,200
2030	1,193,100	410,000	279,675	279,675	559,350	969,350	2,162,450
2031	1,211,400	435,000	268,400	268,400	536,800	971,800	2,183,200
2032	1,233,175	460,000	256,438	256,438	512,875	972,875	2,206,050
2033	766,275	485,000	243,788	243,788	487,575	972,575	1,738,850
2034	776,250	510,000	230,450	230,450	460,900	970,900	1,747,150
2035		540,000	216,425	216,425	432,850	972,850	972,850
2036		570,000	201,575	201,575	403,150	973,150	973,150
2037		600,000	185,900	185,900	371,800	971,800	971,800
2038		635,000	169,400	169,400	338,800	973,800	973,800
2039		670,000	151,938	151,938	303,875	973,875	973,875
2040		705,000	133,513	133,513	267,025	972,025	972,025
2041		745,000	114,125	114,125	228,250	973,250	973,250
2042		785,000	93,638	93,638	187,275	972,275	972,275
2043		825,000	72,050	72,050	144,100	969,100	969,100
2044		875,000	49,363	49,363	98,725	973,725	973,725
2045		920,000	25,300	25,300	50,600	970,600	970,600
	<u>\$20,180,310</u>	<u>\$13,280,000</u>	<u>\$5,996,513</u>	<u>\$6,179,113</u>	<u>\$12,175,625</u>	<u>\$25,455,625</u>	<u>\$45,635,935</u>

*Interest rate used is 5.50% for illustrative purposes only.

Fiscal Year End Cash & Investment Balances (Un-Audited as of May 31, 2019)

General Fund	\$3,289,591.25
Bond Fund	\$1,730,837.68
GRP Fund	\$686,975.02
Construction Fund-GRP (a)	\$11,353,181.26

- (a) Remaining proceeds from the Series 2012A Bonds and Series 2014 Bonds issued to finance development of a supply of potable surface water, which has been delayed for several reasons. See “THE SYSTEM – Lone Star Groundwater Conservation District,” “– GRP Participation Agreements,” and “– Surface Water.”

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Current Investments

The District’s funds are currently invested in various different Bank’s in Certificates of Deposit or Money Market Accounts which are all FDIC insured. They also invest in Texpool. The investment portfolio is generally representative of the District's investment practices although the District has in the past or may in the future also invest in authorized Government Securities. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements. The District currently marks its investments to market price monthly.

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LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the District's Net Revenues and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds will not be subject to the alternative minimum tax on individuals.

Radcliffe Bobbitt Adams Polley PLLC, Houston, Texas, serves as Bond Counsel and General Counsel to the District. McCall, Parkhurst & Horton L.L.P., Houston, Texas serves as Disclosure Counsel. The legal fees paid to Bond Counsel for service rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. The fees paid to Disclosure Counsel for service rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

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

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 Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

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 or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, 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 or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

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

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

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

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

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

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

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

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

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 the 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 (the "MRSB") pursuant to its Electronic Municipal Market Access System ("EMMA"). This information will be available to securities brokers and others through the MSR at www.emma.mrsb.org. Please note that this website is included herein as active textual references only, and the information contained on (or accessed through) this website is not incorporated herein and should not be construed as part of this Official Statement.

Annual Reports

The District will provide certain updated financial information and operating data to the MSR annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included under the captions "THE SYSTEM – Historical Water Consumption and Ten Largest Water Customers" and "FINANCIAL INFORMATION" and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30, in each year. If the District changes its fiscal year, it will notify the MSR.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSR in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if

material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax and net system revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information From MSRB

Effective July 1, 2009 (the “EMMA Effective Date”), the United States Securities and Exchange Commission (the “SEC”) implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

This continuing disclosure agreement may be amended by the District from time to time 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 type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

Within the last five years the District has materially complied with all continuing disclosure agreements made by it pursuant to SEC Rule 15c2-12.

OTHER INFORMATION

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of this Official Statement. 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 act of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Authenticity of Financial Information

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

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OFFICIAL STATEMENT

Preparation

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

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the District to render certain professional services including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, SAMCO Capital Markets, Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

Consultants

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

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

Auditor: The District’s financial statements for the year ending May 31, 2019, are currently being audited by Belt Harris Pechacek, LLP, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s May 31, 2018, financial statement.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the “Rule”) (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to Ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as 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 and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description 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.

Official Statement “Deemed Final”

For purposes of compliance with Rule 15c(2)-12 promulgated by the Securities and Exchange Commission, 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 described 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 Rule 15c(2)-12.

This Official Statement was approved by the Board of Directors of Porter Special Utility District, as of the date shown on the first page hereof.

/s/ _____
Doug Pillow
President, Board of Directors
Porter Special Utility District

/s/ _____
Caroline Denham
Secretary, Board of Directors
Porter Special Utility District

PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District.

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APPENDIX A
District Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of Porter Special Utility District for the fiscal year ended May 31, 2018. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

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ANNUAL FINANCIAL REPORT

of the

**PORTER SPECIAL
UTILITY DISTRICT**

For the Year Ended
May 31, 2018

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PORTER SPECIAL UTILITY DISTRICT

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May 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Porter Special Utility District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 District'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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, identified as Required Supplementary Information on the table of contents, 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 Texas Supplementary Information (TSI) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The TSI has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
October 5, 2018

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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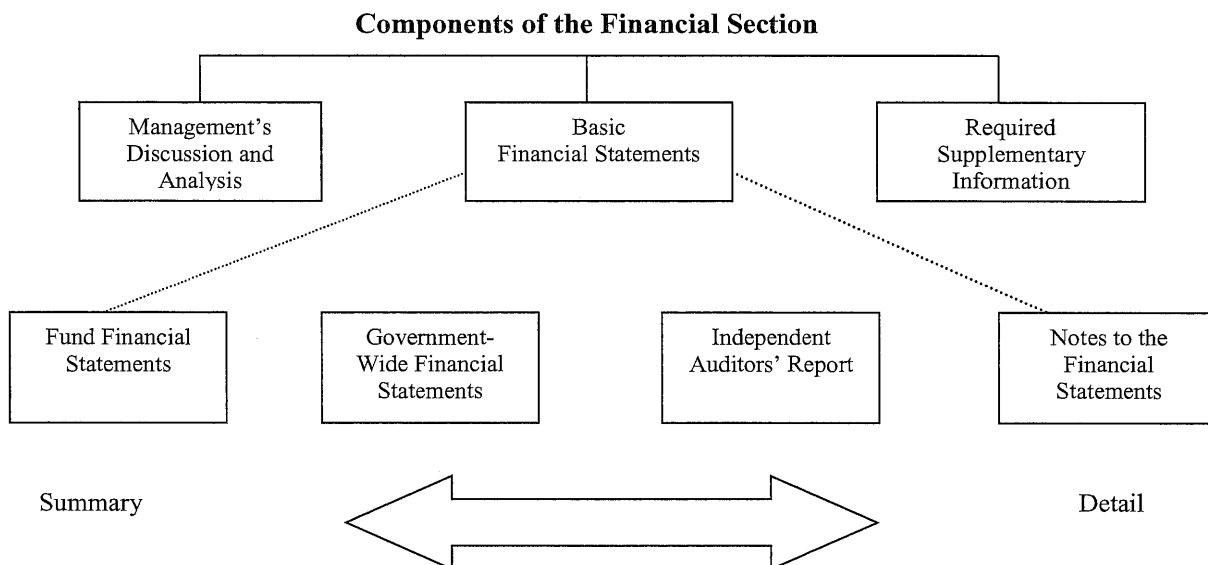
PORTER SPECIAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended May 31, 2018

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Porter Special Utility District (the "District") for the year ended May 31, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents a short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The District's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows 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 is improving or deteriorating. Other nonfinancial factors, such as the District's property tax base and the condition of the District's infrastructure, need to be considered in order to assess the overall health of the District.

PORTER SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended May 31, 2018

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the District's financials using one class of activity:

1. *Governmental Activities* – The District's water distribution is reported here. Interest payments on the District's debt are also reported here.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The District's operations are reported using governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and the Groundwater Reduction Plan (GRP) fund, which are considered to be major funds for reporting purposes.

The District adopts an annual unappropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

PORTER SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended May 31, 2018

Other Information

In addition to basic financial statements, the MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's net position was \$17,445,132 as of year end.

A portion of the District's net position, 60%, reflects its investments in capital assets (e.g., land, water system, and infrastructure) less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2018	2017
Current and other assets	\$ 20,479,218	\$ 20,725,769
Capital assets, net	14,902,512	14,472,583
Total Assets	35,381,730	35,198,352
Deferred charge on refunding	206,186	235,642
Total Deferred Outflows of Resources	206,186	235,642
Long-term liabilities	16,241,169	17,522,708
Other liabilities	1,901,615	1,286,714
Total Liabilities	18,142,784	18,809,422
Net Position:		
Net investment in capital assets	10,412,473	8,984,419
Restricted	1,506,361	1,331,713
Unrestricted	5,526,298	6,308,440
Total Net Position	\$ 17,445,132	\$ 16,624,572

A portion of the District's net position, \$1,506,361 or 9%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$5,526,298 or 31%, may be used to meet the District's ongoing obligation to citizens and creditors. The overall financial condition of the District improved due to revenue being higher than the District's expenses.

PORTER SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended May 31, 2018

Statement of Activities:

The following table provides a summary of the District's changes in net position:

	Governmental Activities	
	2018	2017
Revenues		
Charges for services	\$ 4,887,701	\$ 4,572,431
Other revenues	699,729	623,418
Total Revenues	<u>5,587,430</u>	<u>5,195,849</u>
Expenses		
Service operations	<u>4,766,870</u>	<u>3,520,935</u>
Change in Net Position	820,560	1,674,914
Beginning net position	<u>16,624,572</u>	<u>14,949,658</u>
Ending Net Position	<u>\$ 17,445,132</u>	<u>\$ 16,624,572</u>

For the year ended May 31, 2018, revenues from governmental activities increased by \$391,581 due to an increase in charges for services and other revenues. The District's expenses increased by \$1,245,935 mainly due to increases in expenses for professional fees, salaries, and conversion credits. Total revenues exceeded total expenditures by \$820,560.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

The District's governmental funds reflect a combined fund balance of \$18,577,603. Of this, \$12,184,110 is restricted for capital projects, \$1,506,361 is restricted for debt service, and \$1,445,980 is nonspendable for inventory and prepaid items.

The general fund reported a decrease in fund balance of \$198,945 mainly due to an increase in repair and maintenance expenditures, as well as an increase in the cost of new chemicals required by the Texas Commission on Environmental Quality.

The debt service fund reported a decrease in fund balance of \$16,663. This decrease occurred partially as a result of the District paying off the Series 2006 bond.

The capital projects fund reported a decrease in fund balance of \$98,527, which is mainly due to transfers out to the debt service fund.

The GRP fund reported a decrease in fund balance of \$547,317, resulting in an ending fund balance of \$14,553,455. This decrease was largely due to an increase in pilot study expenditures.

PORTER SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended May 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's general fund budget has an overall negative variance of \$261,656 as a result of greater than expected transfers to other funds. In addition, the District had less impact fee revenue than anticipated, which was partially offset by positive variances in most service operations expenditures.

CAPITAL ASSETS

At the end of the year, the District's governmental activities funds had invested \$14,902,512 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$429,929.

Major capital asset additions during the year included the following purchases and projects:

- DVR/Wireless Receiver and Transmitter - \$8,178
- Water Plant 3 Chlorine Room Analyzer - \$6,475
- SCADA TR15 Office, Wells 5,6,7 - \$6,832
- Metering project - \$18,498
- Construction in progress projects - \$1,094,419

More detailed information about the District's capital assets is presented in note 6 to the financial statements.

LONG TERM DEBT

As of year end, the District reported \$16,140,000 in long-term debt.

More detailed information about the District's long-term liabilities is presented in note 7 to the financial statements.

ECONOMIC FACTORS

The District continues to provide improved services by updating the water system of the District using loan money received from previous loan sales.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the District. Questions concerning this report or requests for additional financial information should be directed to Richard Tramm, General Manager, 22162 Water Well Road, Porter, Texas 77365, telephone (281) 354-5922.

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BASIC FINANCIAL STATEMENTS

PORTER SPECIAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

May 31, 2018

Assets	Governmental Funds Balance Sheet			
	General	Debt Service	Capital Projects	GRP
Cash and cash equivalents	\$ 3,760,812	\$ 156,557	\$ -	\$ 13,944,560
Investments	330,481	250,000	-	-
Receivables	590,828	-	-	-
Inventory	240,331	-	-	-
Prepaid items	21,691	-	-	1,183,958
Due from other funds	276,607	-	-	-
Land	-	-	-	-
Construction in progress	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
Total Assets	\$ 5,220,750	\$ 406,557	\$ -	\$ 15,128,518
 Deferred Outflows of Resources				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -
 Liabilities				
Accounts payable and accrued liabilities	\$ 528,650	\$ -	\$ -	\$ 504,261
Security deposits	868,704	-	-	-
Due to other funds	-	85,583	120,222	70,802
Long-term liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total Liabilities	1,397,354	85,583	120,222	575,063
 Fund Balances/Net Position				
Fund balances:				
Nonspendable				
Prepaid items	21,691	-	-	1,183,958
Inventory	240,331	-	-	-
Restricted				
Debt service	-	320,974	-	1,185,387
Capital projects	-	-	-	12,184,110
Unassigned	3,561,374	-	(120,222)	-
Total Fund Balances (Deficits)	3,823,396	320,974	(120,222)	14,553,455
Total Liabilities and Fund Balances	\$ 5,220,750	\$ 406,557	\$ -	\$ 15,128,518
 Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 17,861,929	\$ -	\$ 17,861,929
580,481	-	580,481
590,828	-	590,828
240,331	-	240,331
1,205,649	-	1,205,649
276,607	(276,607)	-
-	663,743	663,743
-	2,499,451	2,499,451
-	11,739,318	11,739,318
<u>\$ 20,755,825</u>	<u>14,625,905</u>	<u>35,381,730</u>
\$ -	206,186	206,186
<u>\$ -</u>	<u>206,186</u>	<u>206,186</u>
\$ 1,032,911		1,032,911
868,704	-	868,704
276,607	(276,607)	-
-	583,642	583,642
-	15,657,527	15,657,527
<u>2,178,222</u>	<u>15,964,562</u>	<u>18,142,784</u>
1,205,649	(1,205,649)	-
240,331	(240,331)	-
1,506,361	(1,506,361)	-
12,184,110	(12,184,110)	-
3,441,152	(3,441,152)	-
<u>18,577,603</u>	<u>(18,577,603)</u>	<u>-</u>
<u>\$ 20,755,825</u>		
	10,412,473	10,412,473
	1,506,361	1,506,361
	5,526,298	5,526,298
	<u>\$ 17,445,132</u>	<u>\$ 17,445,132</u>

PORTER SPECIAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended May 31, 2018

	Governmental Funds			
	Statement of Revenues, Expenditures, and Changes in Fund Balances			
	General	Debt Service	Capital Projects	GRP
Revenues				
Charges for water service	\$ 4,264,001	\$ -	\$ -	\$ -
Impact fees	623,700	-	-	-
Investment earnings	600	3,805	61	104,704
Miscellaneous revenues	60,958	-	-	529,601
Total Revenues	<u>4,949,259</u>	<u>3,805</u>	<u>61</u>	<u>634,305</u>
Expenditures/Expenses				
Service operations:				
Personnel services	847,306	-	-	-
Professional fees	120,344	-	-	78,346
Contracted services	57,000	-	-	-
Administrative expenditures	336,562	-	-	42,656
Utilities	193,972	-	-	-
Repairs and maintenance	179,301	-	-	-
Other	212,002	-	-	632,733
Depreciation	-	-	-	-
Capital outlay	1,251,322	-	-	742,666
Debt service:				
Principal	-	750,000	-	535,000
Interest and fiscal charges	-	69,135	-	400,537
Total Expenditures/Expenses	<u>3,197,809</u>	<u>819,135</u>	<u>-</u>	<u>2,431,938</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures/Expenses	<u>1,751,450</u>	<u>(815,330)</u>	<u>61</u>	<u>(1,797,633)</u>
Other Financing Sources (Uses)				
Transfers in (out)	(1,950,395)	798,667	(98,588)	1,250,316
Total Other Financing Sources (Uses)	<u>(1,950,395)</u>	<u>798,667</u>	<u>(98,588)</u>	<u>1,250,316</u>
Net Change in Fund Balances/Net Position	(198,945)	(16,663)	(98,527)	(547,317)
Beginning fund balances (deficits)/net position	<u>\$ 4,022,341</u>	<u>\$ 337,637</u>	<u>\$ (21,695)</u>	<u>\$ 15,100,772</u>
Ending Fund Balances(Deficits)/Net Position	<u>\$ 3,823,396</u>	<u>\$ 320,974</u>	<u>\$ (120,222)</u>	<u>\$ 14,553,455</u>

See Notes to Financial Statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 4,264,001	\$ -	\$ 4,264,001
623,700	-	623,700
109,170	-	109,170
590,559	-	590,559
<u>5,587,430</u>	<u>-</u>	<u>5,587,430</u>
847,306	8,825	856,131
198,690	-	198,690
57,000	-	57,000
379,218	-	379,218
193,972	-	193,972
179,301	859,587	1,038,888
844,735	-	844,735
-	704,472	704,472
1,993,988	(1,993,988)	-
1,285,000	(1,285,000)	-
469,672	24,092	493,764
<u>6,448,882</u>	<u>(1,682,012)</u>	<u>4,766,870</u>
<u>(861,452)</u>	<u>1,682,012</u>	<u>820,560</u>
-	-	-
-	-	-
(861,452)	1,682,012	820,560
<u>\$ 19,439,055</u>	<u>\$ (3,061,079)</u>	<u>\$ 16,624,572</u>
<u>\$ 18,577,603</u>	<u>\$ (1,379,067)</u>	<u>\$ 17,445,132</u>

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PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2018

NOTE 1 – CREATION OF DISTRICT

Porter Special Utility District (the “District”) was created on January 10, 2005, by order of the Texas Commission on Environmental Quality (the “Commission”), under Article XVI, Section 59 of the Texas Constitution and Texas Water Code, ANN., Chapter 65. The District is located in southeastern Montgomery County in the State of Texas. Pursuant to an election held on May 7, 2005, in accordance with Section 49.102, Texas Water Code, the voters of the District confirmed the District’s creation and elected persons to serve as permanent directors for the District. The Board of Directors held their first meeting on May 23, 2005. The District operates under Certificate of Convenience and Necessity (CCN) No. 11473. The District has assumed all the assets and liabilities of the Porter Water Supply Corporation.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and accounting policies of the District are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

A. Reporting Entity

The District has adopted GASB Statement No. 14, *The Financial Reporting Entity*. In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The District is governed by a board of directors consisting of seven individuals who are residents or owners of property within the District and are elected by voters within the District. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is considered to be the primary government, as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. Governmental activities are normally supported by intergovernmental revenues.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

are reasonably equivalent in value to the interfund services provided and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is water service operations pursuant to requirements of the District's loan resolutions. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets financed principally by proceeds of loans and certificate of obligation issues. The capital projects fund is considered a major fund for reporting purposes. The Groundwater Reduction Plan (GRP) fund is another capital projects fund that is used to account for and report financial resources that are restricted for the use of groundwater reduction plan projects, including the cost to finance the projects. The GRP fund is considered a major fund for reporting purposes.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Budget

An unappropriated budget is adopted for the general fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits are reported at cost.

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

3. Short-Term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines), are reported in the applicable governmental activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Water system	5 to 40 years
All other capital assets	2 to 40 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s)

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

6. Compensated Employee Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the District's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest is reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

8. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Estimates

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

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

At May 31, 2018, the capital projects fund had a deficit fund balance of \$120,222. The deficit increased compared to the deficit reported in the prior year. The increase is due to transfers from the capital projects fund to the debt service fund.

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

NOTE 4 – CASH AND TEMPORARY INVESTMENTS

As of May 31, 2018, the District had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 580,481	0.63
External investment pools	781,974	0.00
Total Value	\$ 1,362,455	
Portfolio weighted average maturity		0.27

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of year end, the District’s balances were fully collateralized.

TexPool

The District invests in TexPool. TexPool was established as a trust company with the Treasurer of the State of Texas as Trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s has rated TexPool at “AAAm”. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

NOTE 5 – RECEIVABLES

The following comprises the receivable balances at year end:

	General
Service collections	\$ 632,709
Less allowance	(41,881)
Total	\$ 590,828

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended May 31, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 663,743	\$ -	\$ -	\$ 663,743
Construction in progress	1,405,033	1,131,200	(36,782)	2,499,451
Total capital assets not being depreciated	<u>2,068,776</u>	<u>1,131,200</u>	<u>(36,782)</u>	<u>3,163,194</u>
Capital assets being depreciated:				
Water system	18,997,823	31,805	(44,735)	18,984,893
Buildings	374,817	-	-	374,817
Equipment	630,453	8,178	-	638,631
Total capital assets being depreciated	<u>20,003,093</u>	<u>39,983</u>	<u>(44,735)</u>	<u>19,998,341</u>
Less accumulated depreciation				
Water system	(6,905,944)	(639,029)	44,735	(7,500,238)
Buildings	(289,080)	(12,978)	-	(302,058)
Equipment	(404,262)	(52,465)	-	(456,727)
Total accumulated depreciation	<u>(7,599,286)</u>	<u>(704,472)</u>	<u>44,735</u>	<u>(8,259,023)</u>
Net capital assets being depreciated	<u>12,403,807</u>	<u>(664,489)</u>	<u>-</u>	<u>11,739,318</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,472,583</u>	<u>\$ 466,711</u>	<u>\$ (36,782)</u>	<u>14,902,512</u>
			Debt associated with capital assets	(16,220,455)
			Deferred charge on refunding	206,186
			Unspent bond proceeds	11,524,230
			Net Investment in Capital Assets	<u>\$ 10,412,473</u>

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

NOTE 7 – CHANGES IN LONG-TERM DEBT, DEBT SERVICE REQUIREMENTS, AND LOAN RESOLUTION REQUIREMENTS

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from services provided within the District.

The following is a summary of changes in long-term debt for the year ended May 31, 2018:

	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due In One Year
Bonds payable	\$ 17,425,000	\$ -	\$ (1,285,000)	\$ 16,140,000	* \$ 565,000
Unamortized premium	85,819	-	(5,364)	80,455	*
Compensated absences	11,889	21,084	(12,259)	20,714	18,642
Total Governmental Activities	\$ 17,522,708	\$ 21,084	\$ (1,302,623)	\$ 16,241,169	\$ 583,642
				*Debt associated with capital assets	<u>\$ 16,220,455</u>
				Debt due in more than one year	<u>\$ 15,657,527</u>

Bonds payable at May 31, 2018 are comprised of the following issues:

Series	Amounts Outstanding	Interest Rates	Maturity Interest Pmt. Dates	Callable Date
2007	\$ 890,000	2.50%	Dec 1, June 1	6/01/17
2012	1,430,000	2.23%	Dec 1, June 1	N/A
2012A	4,920,000	2.00-3.00%	Dec 1, June 1	12/01/19
2014	8,900,000	2.00-3.50%	Dec 1, June 1	12/01/22
	<u>\$ 16,140,000</u>			

As of May 31, 2018, the debt service requirements on bonds and loans outstanding for the next five years and thereafter are as follows:

Year	Principal	Interest	Total
2019	\$ 565,000	\$ 224,896	\$ 789,896
2020	900,000	434,805	1,334,805
2021	940,000	415,545	1,355,545
2022	975,000	394,860	1,369,860
2023	1,020,000	372,582	1,392,582
2024-2028	5,010,000	1,452,266	6,462,266
2029-2033	5,265,000	754,735	6,019,735
2034-2035	1,465,000	77,525	1,542,525
	<u>\$ 16,140,000</u>	<u>\$ 4,127,213</u>	<u>\$ 20,267,212</u>

The bonds are payable from the pledge of revenues to be derived from the water revenues. These revenues are to be earned from the sale of water services to customers within the area of the District.

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

The 2007 bond order states that a reserve fund shall be maintained for the benefit and security of all loans and parity obligations to the extent required. All funds deposited into the reserve fund [excluding earnings and income derived or received from deposits or investments that may be transferred to the general fund during such periods as there is on deposit in the reserve fund the “required reserve amount” (hereinafter identified)] shall be used solely for the payment of (i) the principal of and interest on the loans when (whether at maturity, upon a mandatory redemption date, or any interest payment date) other funds available for such purposes are insufficient; (ii) to pay principal of and interest on the loans and parity obligations held by an insurance company, or evidenced by an instrument of assignment entitling an insurance company to payment of principal and interest on the loans and parity obligations, as a result of payments or draws made on a surety loan or insurance policy held for the account of the reserve fund and such payments will result in (x) the principal of and/or interest on such loans and parity obligations to be paid and (y) the restoration and replenishment of the surety loan or insurance policy coverage representing all or a portion of the required reserve amount, and (iii), in addition, may be used to the extent not required to maintain the “required reserve amount,” to pay, or provide for the payment of, the final principal amount of a series of loans and parity obligations so that such series of loans and parity obligations is no longer deemed to be “outstanding” as such term is defined herein.

In accordance with the provisions of the order authorizing the issuance of the parity obligations, the amount currently on deposit is referred to herein as the “current reserve.” Beginning on or before the 25th day of the month next following the delivery of the loans and on or before the 25th day of each month thereafter, the District shall deposit to the credit of the reserve fund from the net revenues of the system an amount equal to at least 1/60th of the difference between the current reserve and the required reserve amount until the reserve fund amount is fully accumulated.

As and when additional loans are delivered or incurred, the required reserve amount shall be increased, if required, to an amount equal to the lesser of (i) the average annual principal and interest requirements for all loans and parity obligations then outstanding, as determined on the date each series of additional loans is delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. Any additional amount required to be maintained in the reserve fund shall be so accumulated (i) by depositing to the credit of the reserve fund (immediately after the delivery of the then proposed additional loans) cash or one or more additional surety loans or insurance policies (which, under current law, shall not entitle the provider thereof to any right of reimbursement or repayment other than a right to subrogation upon payment being made to holder) issued by an insurance company or institution having a rating in the highest rating category by two nationally recognized rating agencies of services, or any combination thereof and with coverage in an amount sufficient to provide for the new required reserve amount or (ii) at the option of the District, by making monthly deposits from funds in the general fund on or before the 25th day of each month following the month of delivery of the then proposed additional loans, of not less than 1/60th of the additional amount to be maintained in said fund by reason of the issuance of the additional loans then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety loan or insurance policy). If any portion of the reserve fund that is funded with cash and allocated to the outstanding loans is proposed to be replaced with one or more surety loans, such replacement shall not be affected without receipt by the District of the prior written consent of the Texas Water Development Board to such action, which consent shall not be unreasonably withheld. A reserve equal to the sum of a total of all loan resolutions is required to be established from the revenues.

While cash and investments in the reserve fund and/or coverage afforded by the surety loan or insurance policy held for the account of the reserve fund total not less than the required reserve amount, no deposits need be made to the credit of the reserve fund; but, if and when the reserve fund at any time

PORTER SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended May 31, 2018

contains less than the required reserve amount (or so much thereof as shall then be required to be contained therein if additional loans have been issued and the District has elected to accumulate all or a portion of the required reserve amount with net revenues), the District covenants and agrees to cause monthly deposits to be made to the reserve fund on or before the 25th day of each month (beginning the month following the month the deficiency in the required reserve amount occurred by reason of a draw on reserve fund or as a result of a reduction in the market value of investments held for the account of reserve fund) from net revenues of the system in an amount equal to either (i) 1/60th of the required reserve amount until such amount has been fully restored or (ii) the amounts to pay principal of and interest on loans and parity obligations held by an insurance company, or evidenced by an instrument of assignment entitling an insurance company to payment of principal of and interest on loans and parity obligations, as a result of payments or draws made on a surety loan or insurance policy held for the account of reserve fund and such payments will result in (x) the principal of and/or interest on such loans and parity obligations to be paid and (y) the restoration and replenishment of the surety loan or insurance policy coverage representing all or a portion of the required reserve amount. During such time as the reserve fund contains the required reserve amount, the District may, at its option, withdraw all surplus cash in the reserve fund and deposit such surplus to the credit of the general fund.

As of May 31, 2018, the required reserve amount is \$1,252,746, and bond reserve funds totaled \$1,292,254.

In addition, the Texas Commission on Environmental Quality has required certain funds to disclose the amounts related to debt issued that are escrowed. \$2,038,740 of bond series 2012A and \$8,505,506 of bond series 2014 remain in escrow from the original bond sale proceeds of \$5,860,000 and \$9,715,000, respectively.

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. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

NOTE 9 – PENSION PLAN

The District has entered into a defined contribution 401(k) plan (the “Plan”) for its employees. This is an amendment and restatement of an existing Plan to comply with the Pension Protection Act of 2006. The original effective date of the Plan was January 1, 1995. The effective date of the amendment and restatement of the Plan is January 1, 2015. The District administers the Plan.

A defined contribution pension plan provides pension benefits in return for services rendered. The Plan provides an individual account for each participant and specifies how contributions to the individual’s account are to be determined. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant’s account, the returns earned on investments of those contributions, and forfeitures of other participant’s benefits that may be allocated to such participant’s account. As established by the Plan, all employees who have satisfied the eligibility requirements must participate in the Plan. Any and all contributions made by the District are vested as follows after satisfying the eligibility requirements:

After two years of service, the employee is vested 20%; three years, 40%; four years, 60%; five years, 80%; and six years, 100%.

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

Employer Contributions

For a safe-harbor 401(k) plan, a nonelective contribution will be made on the employee's behalf equal to three percent of the eligible employee's compensation.

For matching contributions, a matching contribution will be allocated on the employee's behalf in accordance with formula below, and will be made in relation to elective deferrals.

For a nonsafe-harbor plan, employer contributions will be allocated to eligible employees who satisfy the employment requirement, if any, indicated below:

<u>Contribution Type</u>	<u>Number of Hour(s) of Service</u>
Matching Contributions	1
Nonelective Contributions	1,000

Employee Contributions

An eligible employee may authorize the District to withhold the maximum dollar limitation allowable for the elective deferrals or Roth elective deferrals under the law.

An employee who leaves the employment of the District is entitled to the District's contributions if eligibility requirements are satisfied. The contributions are discretionary, to be determined by the District, and are not limited to net profits. During the year, the District's contribution was \$30,509.

NOTE 10 – TEXAS WATER DEVELOPMENT BOARD LOANS

On July 6, 2006, the District received a \$1,260,000 loan from the Texas Water Development Board (TWDB). The loan proceeds were used for Texas Department of Transportation mandated water line relocations along Highway 59 and FM1314, and for installation of a blending line from Well No. 4 to Well No. 6. This loan was paid off in July 2017.

On March 25, 2007, the District approved the issuance of \$1,625,000 in Series 2007 loans from the TWDB. On May 2, 2007, the District received the first installment of \$150,000 from the TWDB. On February 7, 2011 and April 30, 2011, the District received \$50,000 and \$55,000, respectively, from the TWDB. On October 31, 2011, January 18, 2012, and May 1, 2012, the District received an additional \$10,000, \$175,000, and \$20,000, respectively, from the TWDB. On June 18, 2012, June 28, 2012, September 17, 2012, September 25, 2012, October 5, 2012, February 11, 2013, March 15, 2013, and April 17, 2013, the District received an additional \$55,000, \$10,000, \$5,000, \$130,000, \$110,000, \$15,000, \$5,000 and \$25,000, respectively, from the TWDB. On July 11, 2013, July 12, 2013, September 10, 2013, October 25, 2013, December 10, 2013, January 16, 2014, March 13, 2014, April 24, 2014, and January 7, 2015, the District received an additional \$10,000, \$255,000, \$135,000, \$200,000, \$45,000, \$10,000, \$25,000, \$45,000 and \$50,000, respectively, from the TWDB. The loan proceeds will be used for various water distribution lines within the District.

NOTE 11 – WATER SUPPLY AGREEMENTS

Porter Water Supply Corporation (the "Corporation") was converted to the District in 2005. The District replaced the Corporation in all agreements to which the Corporation was a party.

On January 26, 2004, the Corporation executed a Water Supply Agreement (the "Agreement") with the Signorelli Company, a Texas corporation and developer, on behalf of a proposed new Montgomery County Municipal Utility District. This Agreement was amended and restated on August 22, 2005 with

PORTER SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended May 31, 2018

Sig-Valley Ranch, Ltd. on behalf of the proposed Valley Ranch Municipal Utility District No. 1. On September 26, 2006, this Agreement was assigned to Valley Ranch Municipal Utility District No. 1. The Agreement provides for Valley Ranch Municipal Utility District No. 1 (the "New District") to make and maintain the interconnect between the two utility systems. The Agreement provides for the District to be the sole source of water for the New District. The District will bill the New District monthly at the wholesale rate for water established by the District's board and amended from time to time, along with other appropriate charges and fees.

On December 20, 2004, the Corporation executed a contract for wholesale water service (the "Contract") with Terramark Communities, Ltd. (the "Developer"), a Texas limited partnership and developer, on behalf of proposed new Woodridge Municipal Utility District. The Contract provides for Woodridge Municipal Utility District (the "Woodridge District") to construct, and the District to operate and maintain, the interconnect between the two utility systems. The contract provides for the District to be the sole source of water for the Woodridge District. The Developer will pay the impact fees to the District based on the number of connections to the Woodridge District system on a quarterly basis. The District will bill the Woodridge District monthly at the wholesale rate for water for customers that pay an impact fee established by the District's Board and amended from time to time.

On December 17, 2007, the Corporation entered a wholesale water service agreement (the "Agreement") with Montgomery County Municipal Utility District No. 84. The Agreement gives the District exclusive authority to provide water service to all customers requiring wholesale or regular water service within its boundaries. Approximately 70.295 acres in eastern Montgomery County fall within the District's boundaries. Property owners in this area are required to connect to the District's water system for "wholesale water service" or "water supply." This Agreement requires the District to provide treated, potable water to property located on the plot of land.

On February 24, 2014, the Corporation executed a Water Supply and a Unilateral Emergency Water Supply Agreement (the "Agreement") with Montgomery County Municipal Utility District No. 56 ("District No. 56"). The Agreement provides for District No. 56 to make and maintain the interconnect between the two utility systems. The price to be paid for water by District No. 56 to the District will be at the District's bulk water rate to its customers under the current tariff of the District. The term of this Agreement is three years and will automatically renew annually thereafter until notice of termination is given by one party to the other.

This Agreement provides that outside the terms of the above Agreement, the District and District No. 56 agree to leave the interconnect closed except in an emergency. Prior to and after an emergency water supply, a meter reading will be taken and each entity is required to read the meter on a quarterly basis.

On March 29, 2017, the Corporation executed a wholesale water supply agreement (the "Agreement") with Montgomery County Municipal Utility District No. 24 ("District No. 24"). The Agreement gives the District exclusive authority to provide portable water to District No. 24, so District No. 24 may supply retail water service to the property in approximately 246.42 acres of land in eastern Montgomery County fall within the District's boundaries. District No. 24 shall advance for the cost water line replacement project limited to a total of \$920,000 and shall advance \$460,000 to the District within 30 days of the effective date of the Agreement. After the waterline replacement project completion, The District will bill the District No. 24 monthly at the wholesale rate for water for customers that pay an impact fee established by the District's Board and amended from time to time. The Agreement shall be in force and effect for a term of 50 years from the effective date.

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REQUIRED SUPPLEMENTARY INFORMATION

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PORTER SPECIAL UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended May 31, 2018

	Original and Final Budgeted Amounts	Actual	Variance Positive (Negative)
Revenues			
Charges for water service	\$ 4,195,000	\$ 4,264,001	\$ 69,001
Impact fees	1,200,000	623,700	(576,300)
Investment earnings	2,500	600	(1,900)
Miscellaneous revenues	43,000	60,958	17,958
Total Revenues	5,440,500	4,949,259	(491,241)
Expenditures			
Service operations:			
Personnel services	956,900	847,306	109,594
Professional fees	152,000	120,344	31,656
Contracted services	63,000	57,000	6,000
Administrative expenses	470,625	336,562	134,063
Utilities	206,560	193,972	12,588
Repairs and maintenance	179,000	179,301	(301)
Other	336,700	212,002	124,698
Capital outlay	1,321,500	1,251,322	70,178
Total Expenditures	3,686,285	3,197,809	488,476
Excess of Revenues Over Expenditures	1,754,215	1,751,450	(2,765)
Other Financing Sources (Uses)			
Transfers (out)	(1,691,504)	(1,950,395)	(258,891)
Total Other Financing (Uses)	(1,691,504)	(1,950,395)	(258,891)
Change in Fund Balance	\$ 62,711	(198,945)	\$ (261,656)
Beginning fund balance		4,022,341	
Ending Fund Balance		\$ 3,823,396	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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TEXAS SUPPLEMENTARY INFORMATION

PORTER SPECIAL UTILITY DISTRICT

TSI-1 SERVICES AND RATES

For the Year Ended May 31, 2018

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

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

2. Retail Service Providers

a. Retail rates based on 5/8" meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	\$11.00	-	N	\$ 2.10	0 to 3,000
				\$ 2.60	3,001 to 10,000
				\$ 3.10	10,001 to 25,000
				\$ 4.10	25,001 to 35,000
				\$ 4.60	35,001 and up

Waste N/A

Summer surcharge: \$4.60 per 1,000 gallons beginning at 25,001 and up

Groundwater conservation fees: \$0.10 per 1,000 gallons

Groundwater reduction plan: \$1.75 per 1,000 gallons (5/8" x 3/4" meter)

Groundwater reduction plan: \$2.00 per 1,000 gallons (1" meter and larger)

Texas Commission on Environmental Quality: 0.005% of total bill

District employs winter averaging for wastewater usage?

Yes No

Total water and sewer charges per 10,000 gallons usage (including surcharges)

\$54.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
< 3/4"	5,148	5,126	x 1.0	5,126
1"	136	134	x 2.5	335
1 1/2"	53	53	x 5.0	265
2"	78	77	x 8.0	616
3" and up	37	36	x 25.0	900
Total water	5,452	5,426		7,242
Total wastewater	-	-	x 1.0	-

3. Total Water Consumption During the Fiscal Year:

Gallons pumped into system:	719,074,000	Water Accountability Ratio:
Gallons billed to customers:	672,592,050	<u>94.54%</u>
Gallons flushed and known leaks:	7,189,254	

4. Standby Fees:

Does the District have Debt Service standby fees? Yes ___ No X
If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ___ No X
If yes, Date of the most recent Commission Order: _____

5. Location of District:

County in which District is located: Montgomery County, Texas
Is the District located entirely within one county? Yes X No ___
Is the District located within a city? Entirely ___ Partly ___ Not at all X
City in which District is located: N/A
Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely ___ Partly X Not at all ___
ETJs in which District is located: City of Houston, Texas and City of Conroe, Texas
Are Board members appointed by an office outside the District?
Yes ___ No X
If yes, by whom? _____

PORTER SPECIAL UTILITY DISTRICT

TSI-2 GENERAL FUND EXPENDITURES

For the Years Ended May 31, 2018 and 2017

	2018	2017
Current:		
Personnel Services (including benefits)	\$ 847,306	\$ 819,575
Professional Services		
Audit services	11,500	11,100
Engineering	56,686	61,464
Legal	52,158	39,454
	120,344	112,018
Contracted Services		
Bookkeeping	57,000	53,150
Utilities		
Electricity	187,792	171,153
Other utilities	1,596	1,478
Telephone	4,255	7,081
Water service	329	220
	193,972	179,932
Repairs and Maintenance	179,301	65,943
Administrative Expenditures		
Dues	26,220	29,380
Insurance	38,790	29,279
Office supplies and postage	25,153	28,556
Travel and meetings	4,188	3,298
Regional water authority assessment	47,425	36,138
Other	170,833	133,549
	312,609	260,200
Capital Outlay	1,251,322	611,860
Security	23,953	14,906
Other Expenditures		
Chemicals	79,082	21,966
Fuel	18,790	13,112
Laboratory fees	20,122	22,524
Other	94,008	79,512
	212,002	137,114
Total Expenditures	\$ 3,197,809	\$ 2,254,698
Number of employees employed by the District:		
Full-time	12	14

PORTER SPECIAL UTILITY DISTRICT

TSI-3 CASH AND TEMPORARY INVESTMENTS

For the Year Ended May 31, 2018

Funds	Identification or Certificate Number	Interest Rate (%)	Maturity Date	Balance	Accrued Interest
<u>General Fund</u>					
Petty cash	N/A	N/A	N/A	\$ 1,000	\$ -
Checking	2526326221	Variable	N/A	3,515,516	-
Money market	1021323338	Variable	N/A	243,322	-
Certificate of deposit	1007577552	0.70%	3/2/2019	80,481	324
Certificate of deposit	221812	1.30%	2/10/2019	250,000	187
TexPool	449/7896500001	Variable	N/A	974	-
Total General Fund				<u>4,091,293</u>	<u>511</u>
<u>Debt Service Fund</u>					
Checking	6717278745	Variable	N/A	2,982	-
Certificate of deposit	4007900	1.20%	12/4/2018	250,000	501
TexPool	449/7896500004	Variable	N/A	153,575	-
Total Debt Service Fund				<u>406,557</u>	<u>501</u>
<u>GRP Fund</u>					
Checking	6703127647	Variable	N/A	47,772	-
Checking	6703127787	Variable	N/A	296,708	-
Checking	264135	Variable	N/A	2,038,740	-
Checking	260844	Variable	N/A	888,680	-
Checking	7142606	Variable	N/A	8,505,506	-
Checking	6725280112	Variable	N/A	8,077	-
Money market	2530956825	Variable	N/A	1,531,651	-
TexPool	449/7896500008	Variable	N/A	329,721	-
TexPool	449/7896500007	Variable	N/A	297,705	-
Total GRP Fund				<u>13,944,560</u>	<u>-</u>
Total - All Funds				<u>\$ 18,442,410</u>	<u>\$ 1,012</u>

PORTER SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
For the Year Ended May 31, 2018

Due During Fiscal Year Ending May 31	Annual Requirements for All Series			Series 2007		
	Total Principal Due	Total Interest Due	Total Due	Principal Due June 1	Interest December 1 June 1	Total
2019	\$ 565,000	\$ 224,896	\$ 789,896	\$ -	\$ 13,182	\$ 13,182
2020	900,000	434,805	1,334,805	80,000	25,243	105,243
2021	940,000	415,545	1,355,545	85,000	22,911	107,911
2022	975,000	394,860	1,369,860	85,000	20,467	105,467
2023	1,020,000	372,582	1,392,582	90,000	17,930	107,930
2024	1,060,000	345,191	1,405,191	90,000	15,297	105,297
2025	1,115,000	316,539	1,431,539	95,000	12,545	107,545
2026	900,000	289,421	1,189,421	95,000	9,695	104,695
2027	945,000	263,921	1,208,921	100,000	6,745	106,745
2028	990,000	237,196	1,227,196	100,000	3,695	103,695
2029	1,005,000	209,661	1,214,661	70,000	1,085	71,085
2030	985,000	182,400	1,167,400	-	-	-
2031	1,040,000	153,100	1,193,100	-	-	-
2032	1,090,000	121,400	1,211,400	-	-	-
2033	1,145,000	88,175	1,233,175	-	-	-
2034	715,000	51,275	766,275	-	-	-
2035	750,000	26,250	776,250	-	-	-
Totals	\$ 16,140,000	\$ 4,127,212	\$ 20,267,212	\$ 890,000	\$ 148,795	\$ 1,038,795

Series 2012			Series 2012A		
Principal Due June 1	Interest December 1 June 1	Total	Principal Due December 1	Interest December 1 June 1	Total
\$ -	\$ 15,945	\$ 15,945	\$ 220,000	\$ 62,800	\$ 282,800
230,000	29,325	259,325	230,000	121,200	351,200
230,000	24,196	254,196	245,000	116,600	361,600
230,000	19,067	249,067	260,000	111,088	371,088
240,000	13,826	253,826	270,000	104,588	374,588
245,000	8,418	253,418	285,000	97,838	382,838
255,000	2,843	257,843	305,000	90,713	395,713
-	-	-	320,000	83,088	403,088
-	-	-	335,000	75,088	410,088
-	-	-	355,000	66,713	421,713
-	-	-	375,000	57,838	432,838
-	-	-	395,000	48,462	443,462
-	-	-	420,000	37,600	457,600
-	-	-	440,000	26,050	466,050
-	-	-	465,000	13,950	478,950
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,430,000</u>	<u>\$ 113,620</u>	<u>\$ 1,543,620</u>	<u>\$ 4,920,000</u>	<u>\$ 1,113,616</u>	<u>\$ 6,033,616</u>



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PORTER SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (Continued)
For the Year Ended May 31, 2018

Due During Fiscal Year Ending May 31	Series 2014		
	Principal	Interest	Total
	Due December 1	December 1 June 1	
2019	\$ 345,000	\$ 132,969	\$ 477,969
2020	360,000	259,038	619,038
2021	380,000	251,838	631,838
2022	400,000	244,238	644,238
2023	420,000	236,238	656,238
2024	440,000	223,638	663,638
2025	460,000	210,438	670,438
2026	485,000	196,638	681,638
2027	510,000	182,088	692,088
2028	535,000	166,788	701,788
2029	560,000	150,738	710,738
2030	590,000	133,938	723,938
2031	620,000	115,500	735,500
2032	650,000	95,350	745,350
2033	680,000	74,225	754,225
2034	715,000	51,275	766,275
2035	750,000	26,250	776,250
Totals	\$ 8,900,000	\$ 2,751,182	\$ 11,651,182

PORTER SPECIAL UTILITY DISTRICT

TSI-6 CHANGE IN LONG-TERM BONDED DEBT

For the Year Ended May 31, 2018

	Bond Issue			
	Series 2006	Series 2007	Series 2012	Series 2012A
Interest rate	4.00-5.00%	2.50%	2.23%	2.00%-3.00%
Dates interest payable	12/1, 6/1	12/1, 6/1	12/1, 6/1	12/1, 6/1
Maturity dates	6/1/08-6/1/28	6/1/10-6/1/29	6/1/13-6/1/24	12/1/13-12/1/32
Original issue amount	<u>\$ 1,260,000</u>	<u>\$ 1,625,000</u>	<u>\$ 3,180,000</u>	<u>\$ 5,860,000</u>
Debt outstanding at beginning of current year	\$ 445,000	\$ 970,000	\$ 1,655,000	\$ 5,130,000
Principal retirements	<u>(445,000)</u>	<u>(80,000)</u>	<u>(225,000)</u>	<u>(210,000)</u>
Debt Outstanding at End of Current Year	<u>\$ -</u>	<u>\$ 890,000</u>	<u>\$ 1,430,000</u>	<u>\$ 4,920,000</u>
Interest Retirements	<u>\$ 3,485</u>	<u>\$ 28,563</u>	<u>\$ 36,907</u>	<u>\$ 127,700</u>
Paying Agents/Registrars				
Wells Fargo, N.A.	JP Morgan Chase Bank, N.A.		Government Capital Corporation	
Minneapolis, Minnesota	Houston, Texas		Southlake, Texas	
Debt service fund cash, investments, and cash with paying agent balances as of May 31, 2018:			<u>\$ 453,265</u>	
Average annual debt service payment (principal and interest) for remaining term of all bond debt:			<u>\$ 1,192,189</u>	
Bond Authority	Bond	Refunding Bond		
Bond authorized by voters	\$ 18,460,000	\$ 3,180,000		
Bond issued	(18,425,000)	(3,180,000)		
Remaining Balance	<u>\$ 35,000</u>	<u>\$ -</u>		

<u>Bond Issue</u> <u>Series 2014</u>	<u>Total</u>
2.00%-3.50%	N/A
12/1, 6/1	N/A
6/1/15-12/1/34	N/A
<u>\$ 9,715,000</u>	<u>\$ 21,640,000</u>
\$ 9,225,000	\$ 17,425,000
<u>(325,000)</u>	<u>(1,285,000)</u>
<u>\$ 8,900,000</u>	<u>\$ 16,140,000</u>
<u>\$ 269,188</u>	<u>\$ 465,843</u>

PORTER SPECIAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL AND DEBT SERVICE FUNDS
Last Five Years

	Amounts				
	2018	2017	2016	2015	2014
<u>General Fund Revenues</u>					
Charges for services	\$ 4,887,701	\$ 4,572,431	\$ 4,540,125	\$ 4,249,387	\$ 3,933,194
Interest on investments	600	1,826	9,049	13,641	13,764
Other	60,958	54,491	117,121	204,100	121,803
Total Revenues	<u>4,949,259</u>	<u>4,628,748</u>	<u>4,666,295</u>	<u>4,467,128</u>	<u>4,068,761</u>
<u>General Fund Expenditures</u>					
Current	1,946,487	1,642,838	1,564,461	1,539,988	1,564,851
Capital outlay	1,251,322	611,860	1,785,560	1,115,834	532,230
Total Expenditures	<u>3,197,809</u>	<u>2,254,698</u>	<u>3,350,021</u>	<u>2,655,822</u>	<u>2,097,081</u>
Excess of Revenues Over Expenditures	<u>\$ 1,751,450</u>	<u>\$ 2,374,050</u>	<u>\$ 1,316,274</u>	<u>\$ 1,811,306</u>	<u>\$ 1,971,680</u>
Total Active Retail Water Connections					
	<u>5,426</u>	<u>5,303</u>	<u>5,252</u>	<u>4,794</u>	<u>4,794</u>
<u>Debt Service Fund Revenues</u>					
Interest on investments	\$ 3,805	\$ 2,030	\$ 1,683	\$ 2,357	\$ 2,139
Total Revenues	<u>3,805</u>	<u>2,030</u>	<u>1,683</u>	<u>2,357</u>	<u>2,139</u>
<u>Debt Service Fund Expenditures</u>					
Debt service	819,135	707,295	457,559	618,926	610,018
Total Expenditures	<u>819,135</u>	<u>707,295</u>	<u>457,559</u>	<u>618,926</u>	<u>610,018</u>
(Deficiency) of Revenues (Under) Expenditures	<u>\$ (815,330)</u>	<u>\$ (705,265)</u>	<u>\$ (455,876)</u>	<u>\$ (616,569)</u>	<u>\$ (607,879)</u>

Percentage of Total Fund Revenues

2018	2017	2016	2015	2014
98.8 %	98.8 %	97.3 %	95.1 %	96.7 %
-	-	0.2	0.3	0.3
1.2	1.2	2.5	4.6	3.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
39.3	35.5	33.5	34.5	38.5
25.3	13.2	38.3	25.0	13.1
<u>64.6</u>	<u>48.7</u>	<u>71.8</u>	<u>59.5</u>	<u>51.5</u>
<u><u>35.4 %</u></u>	<u><u>51.2 %</u></u>	<u><u>28.2 %</u></u>	<u><u>40.5 %</u></u>	<u><u>48.5 %</u></u>
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
21,527.9	34,842.1	27,187.1	26,259.1	28,518.8
<u>21,527.9</u>	<u>34,842.1</u>	<u>27,187.1</u>	<u>26,259.1</u>	<u>28,518.8</u>
<u><u>(21,427.9) %</u></u>	<u><u>(34,742.1) %</u></u>	<u><u>(27,087.1) %</u></u>	<u><u>(26,159.1) %</u></u>	<u><u>(28,418.8) %</u></u>

PORTER SPECIAL UTILITY DISTRICT
TSI-8 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
For the Year Ended May 31, 2018

District's Mailing Address: 22162 Water Well Road
Porter, TX 77365

District's Business Telephone Number: (281) 354-5922

Submission Date of the most recent District Registration Form: June 28, 2017

<u>Name and Address</u>	<u>Term</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>
<u>Board Members</u>				
Vern Reichert	2015-2018 Ended	\$ 1,300	\$ -	President Term Ended
Kimberly Robinson	2017-2020 Elected	\$ 1,400	\$ -	President New President
Karen McClain	2017-2020 Elected	\$ 1,300	\$ -	Director
Doug Pillow	2018-2021 Elected	\$ 1,400	\$ -	Vice President
Cathy Bate	2018-2021 Elected	\$ 100	\$ -	Secretary/ Treasurer
Caroline Denham	2017-2020 Elected	\$ 1,500	\$ 54.39	Assistant Secretary/Treas.
Danny Bridges	2018-2021 Elected	\$ 1,200	\$ -	Director
Jason Ashy	2017-2020 Elected	\$ 1,300	\$ -	Director

Note: No director is disqualified from serving on this Board under the Texas Water Code.

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees</u>	<u>Title</u>
<u>Consultants</u>			
Alan Derby, P.C. 1214 Stonehollow, Suite C Kingwood, TX 77339	06/01/2012	\$ 57,000	Bookkeeper
Arbitrage Compliance Specialists, Inc. 5975 South Quebec St., #205 Centennial, CO 80111	06/01/2012	\$ 7,250	Arbitrage Consultant
Belt Harris Pechacek, LLLP 3210 Bingle Rd., Suite 300 Houston, TX 77055	05/21/2008	\$ 11,500	Independent Auditor
Bleyl Engineering 100 Nugent St. Conroe, TX 77301	06/01/2005	\$ 302,437	District Engineer
Radcliffe Bobbitt Adams Polley America Tower 2929 Allen Parkway, Suite 3450 Houston, TX 77019-7120	06/01/2005	\$ 85,057	Attorney
Richard Tramm 22162 Water Well Rd. Porter, TX 77365	06/25/2007	\$ 140,333	General Manager
SAMCO Capital Markets 6805 Capital of Texas Highway, Suite 350 Austin, TX 78731	06/01/2005	\$ -	Financial Advisor

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Financial Advisory Services
Provided By:

