

OFFICIAL STATEMENT DATED OCTOBER 16, 2019

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

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

\$1,800,000
Unlimited Tax Refunding Bonds
Series 2019

\$1,955,000
Unlimited Tax Park Refunding Bonds
Series 2019A

Interest accrues from: November 1, 2019

Due: May 1, as shown on inside cover

Interest on the \$1,800,000 Charterwood Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Utility System Refunding Bonds") and the \$1,955,000 Charterwood Municipal Utility District Unlimited Tax Park Refunding Bonds, Series 2019A (the "Series 2019A Park System Refunding Bonds," and collectively the "Bonds") will accrue from November 1, 2019, and will be payable on May 1, 2020, and on each November 1 and May 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. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date. The Bonds will be issued in fully registered form only, without coupons, in principal 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, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially 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 to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Charterwood Municipal Utility District (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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



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

The Bonds constitute the fifth series of unlimited tax refunding bonds issued for the Utility System (herein defined) and the first series of unlimited tax refunding bonds issued for the Park System (herein defined). Voters in the District have authorized a total of \$34,430,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System") and \$30,530,000 for refunding purposes and \$5,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities (the "Park System") and \$7,500,000 for refunding purposes. Following the issuance of the Bonds, \$12,330,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Utility System and \$23,020,000 for refunding purposes and \$2,280,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Park System and \$7,420,000 for refunding purposes will remain authorized and unissued. The Bonds, when issued will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by SAMCO Capital Markets, Inc. (the "Underwriter"), subject to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain other matters will be passed upon, on behalf of the Underwriter, by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds is expected on or about November 20, 2019.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$1,800,000 Unlimited Tax Refunding Bonds, Series 2019

Maturity May 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 161337 (b)	Maturity May 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 161337 (b)
2020	\$ 5,000	3.000%	1.460%	KW9	2026 (c)	\$ 200,000	2.000%	1.860%	KE9
2021	15,000	3.000%	1.450%	JZ4	2027 (c)	200,000	2.000%	2.000%	KF6
2022	185,000	3.000%	1.450%	KA7	2028 (c)	200,000	2.000%	2.130%	KG4
2023	190,000	3.000%	1.510%	KB5	2029 (c)	205,000	2.000%	2.250%	KH2
2024	200,000	2.000%	1.570%	KC3	2030 (c)	200,000	2.000%	2.400%	KJ8
2025 (c)	200,000	2.000%	1.710%	KD1					

\$1,955,000 Unlimited Tax Park Refunding Bonds, Series 2019A

Maturity May 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 161337 (b)	Maturity May 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 161337 (b)
2020	\$ 5,000	3.000%	1.460%	KV1	2026 (c)	\$ 215,000	2.000%	1.860%	KQ2
2021	15,000	3.000%	1.450%	KK5	2027 (c)	225,000	2.000%	2.000%	KR0
2022	185,000	3.000%	1.450%	KL3	2028 (c)	230,000	2.000%	2.130%	KS8
2023	190,000	3.000%	1.510%	KM1	2029 (c)	235,000	2.000%	2.250%	KT6
2024	200,000	2.000%	1.570%	KN9	2030 (c)	245,000	2.000%	2.400%	KU3
2025 (c)	210,000	2.000%	1.710%	KP4					

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. None of the District, the Financial Advisor (herein defined) or the Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on May 1, 2025, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on May 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Underwriter may designate one or more maturities as term bonds. See "THE BONDS - Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in "SOURCES AND USES – Updating of Official Statement."

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (the "Underwriter") has agreed to purchase the Series 2019 Utility System Refunding Bonds from the District for \$1,790,338.52 (being the par amount of the Series 2019 Utility System Refunding Bonds, plus a net original issue premium on the Series 2019 Utility System Refunding Bonds of \$10,344.50, and less an underwriter's discount on the Series 2019 Utility System Refunding Bonds of \$20,005.98), plus accrued interest on the Series 2019 Utility System Refunding Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Series 2019 Utility System Refunding Bonds, if any Series 2019 Utility System Refunding Bonds are purchased.

The Underwriter has agreed to purchase the Series 2019A Park System Refunding Bonds from the District for \$1,941,948.40 (being the par amount of the Series 2019A Park System Refunding Bonds, plus a net original issue premium on the Series 2019A Park System Refunding Bonds of \$7,966.40, and less an underwriter's discount on the Series 2019A Park System Refunding Bonds of \$21,018.00), plus accrued interest on the Series 2019A Park System Refunding Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Series 2019A Park System Refunding Bonds, if any Series 2019A Park System Refunding Bonds are purchased.

The following statement is provided by the Underwriter: In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue separate municipal bond insurance policies for the Bonds (collectively, the "Policy"). The Policy guarantees the

scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On August 13, 2019, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

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

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

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

Capitalization of AGM

At June 30, 2019:

- The policyholders’ surplus of AGM was approximately \$2,530 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,082 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty (Europe) plc (“AGE”), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory

accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

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

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

Miscellaneous Matters

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

RATINGS

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

The Bonds are expected to receive an insured rating of "A2" from Moody's solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody's has also

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

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

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OFFICIAL STATEMENT SUMMARY

The following material is 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.

THE BONDS

- The Issuer Charterwood Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
- The Issues The \$1,800,000 Charterwood Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Utility System Refunding Bonds") and the \$1,955,000 Charterwood Municipal Utility District Unlimited Tax Park Refunding Bonds, Series 2019A (the "Series 2019A Park System Refunding Bonds," and collectively the "Bonds") are dated November 1, 2019, and mature on May 1 in the years and amounts set forth on the inside cover page. Interest accrues from November 1, 2019, at the rates per annum set forth on the inside cover page and is payable May 1, 2020, and each November 1 and May 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one series and maturity. See "THE BONDS – General."
- Redemption..... Bonds maturing on and after May 1, 2025, are subject to redemption, in whole or from time to time in part, at the option of the District on May 1, 2024, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), in accordance with the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by Regions Bank, an Alabama banking corporation, Houston, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
- Source of Payment The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. See "THE BONDS – Source of Payment."
- Payment Record..... The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.
- Use of Proceeds The proceeds of the Series 2019 Utility System Refunding Bonds, together with other lawfully available District funds, will be applied to pay certain costs incurred in connection with the issuance of the

Series 2019 Utility System Refunding Bonds and to refund \$1,730,000 principal amount of the District's \$2,670,000 Unlimited Tax Bonds, Series 2010 (the "Refunded Utility System Bonds"). The refunding of the Refunded Utility System Bonds is expected to result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."

The proceeds of the Series 2019A Park System Refunding Bonds will be applied to pay certain costs incurred in connection with the issuance of the Series 2019A Park System Refunding Bonds and to refund \$1,875,000 principal amount of the District's \$2,720,000 Unlimited Tax Park Bonds, Series 2010A (the "Refunded Park System Bonds"). The refunding of the Refunded Park System Bonds is expected to result in an annual and net present value savings in the District's current annual debt service requirements. The Refunded Utility System Bonds and the Refunded Park System Bonds are collectively referred to herein as the "Refunded Bonds." See "PLAN OF FINANCING."

Remaining Outstanding Bonds..... The following bonds have been previously issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System") and for refunding purposes: \$1,580,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1976; \$1,690,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1978; \$1,725,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1980; \$2,825,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985; \$4,995,000 Unlimited Tax Refunding Bonds, Series 1991; \$1,685,000 Unlimited Tax Refunding Bonds, Series 1994; \$4,455,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996; \$545,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996-A; \$2,060,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004; \$8,855,000 Unlimited Tax Bonds, Series 2007; \$2,670,000 Unlimited Tax Bonds, Series 2010; and \$8,195,000 Unlimited Tax Refunding Bonds, Series 2015. As of October 1, 2019, \$8,755,000 principal amount of such bonds remained outstanding (the "Outstanding Utility System Bonds"). The following bonds have been previously issued by the District for the purpose of acquiring or constructing parks and recreational facilities (the "Park System") and for refunding purposes: \$2,720,000 Unlimited Tax Park Bonds, Series 2010A. As of October 1, 2019, \$2,185,000 principal amount of such bonds remained outstanding (the "Outstanding Park System Bonds"). See "THE BONDS – Outstanding Bonds."

Exclusive of the Refunded Utility System Bonds, \$7,025,000 principal amount of unlimited tax bonds previously issued for the Utility System and for refunding purposes will remain outstanding following the issuance of the Series 2019 Utility System Refunding Bonds (the "Remaining Outstanding Utility System Bonds"). Exclusive of the Refunded Park System Bonds, \$310,000 principal amount of unlimited tax bonds previously issued for the Park System and for refunding purposes will remain outstanding

following the issuance of the Series 2019A Park System Refunding Bonds (the “Remaining Outstanding Park System Bonds”). The Remaining Outstanding Utility System Bonds and the Remaining Outstanding Park System Bonds are collectively referred to herein as the “Remaining Outstanding Bonds.” See “PLAN OF FINANCING – Remaining Outstanding Bonds.”

Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Ratings.....	Moody’s Investors Service, Inc. (Underlying): “A2.” Moody’s Investors Service, Inc. (AGM Insured): “A2.” S&P Global Ratings (AGM Insured): “AA.” See “RATINGS.”
Qualified Tax-Exempt Obligations.....	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “QUALIFIED TAX-EXEMPT OBLIGATIONS.”
Legal Counsel	Coats Rose, P.C., Houston, Texas.
Underwriter’s Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
District Engineer.....	Bleyl Engineering, Houston, Texas.
Verification Agent	Robert Thomas CPA LLC, Minneapolis, Minnesota.

THE DISTRICT

Description.....	The District, a political subdivision of the State of Texas, was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality, in 1972 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 471 acres and is located entirely within Harris County, Texas, and the extraterritorial jurisdiction of the City of Houston, Texas, and is approximately 21 miles northwest of the downtown of the City of Houston, Texas, near the intersection of Louetta Road and Texas State Highway 249 and approximately 3 miles north of the intersection of Texas State Highway 249 and F.M. 1960. The District is located within the Klein Independent School District. See “THE DISTRICT – General.”
Authority.....	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
Development.....	Approximately 374 acres within the District have been developed as the residential subdivisions of Charterwood, Sections 1-7 and 9-11, Majestic Oaks, Section 1, Woodbend Pines, and Vintage Lakes, Sections 1 and 2. As of October 1, 2019, single-family development consisted of 1,249 completed and occupied homes, no homes under construction, no vacant developed lots and 36 completed and occupied quadplexes. Commercial development in the District includes 24-Hour Fitness Club, a 93,000 square foot Home Depot store; Brownie’s Market, a 2,600 square foot convenience store; Toddler House, a 7,000 square foot day care center; Jackson-Klein Properties, a 3,000 square foot office building; Modular Production Equipment, a facility for the manufacture of machinery which

separates oil and water; a 64-room Comfort Suites Hotel; two fast food restaurants; a retail center; three restaurants; The Shops at The Vintage, a 31,363 square foot retail center, which is 98% leased; and a 29,465 square foot retail center called The Vintage Center. The District also includes a 156-unit apartment complex and a 324-unit apartment complex. There are no remaining acres within the District which are undeveloped but developable. See "THE DISTRICT - Description" and "THE DISTRICT - Status of Development."

INVESTMENT CONSIDERATIONS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2019 Assessed Valuation	\$ 412,181,483 (a)
Direct Debt:	
The Remaining Outstanding Bonds	\$ 7,335,000
The Bonds.....	<u>3,755,000</u>
Total	\$ 11,090,000
Estimated Overlapping Debt	<u>\$ 23,208,396</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 34,298,396</u>
Direct Debt Ratios:	
As a percentage of 2019 Assessed Valuation	2.69 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2019 Assessed Valuation	8.32 %
Debt Service Fund Balance (as of September 24, 2019).....	\$ 1,645,476 (b)
Capital Projects Fund Balance (as of September 24, 2019)	\$ 2,625,817
Operating Fund Balance (as of September 24, 2019)	\$ 3,263,720
2019 Tax Rate per \$100 of Assessed Valuation	
Debt Service	0.255
Maintenance & Operation	<u>0.150</u>
Total	\$ 0.405 (c)
Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2030).....	\$ 1,146,253 (d)
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)	\$ 1,173,416 (d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2030) at 95% Tax Collections: Based Upon the 2019 Assessed Valuation (\$412,181,483)	\$ 0.30
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2030) at 95% Tax Collections: Based Upon the 2019 Assessed Valuation (\$412,181,483)	\$ 0.30

- (a) Certified assessed valuation within the District as provided by the Appraisal District (herein defined). This value includes \$23,712,590 of uncertified assessed valuation. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Neither Texas Law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Debt Service Fund.
- (c) See "TAX DATA - Tax Rate Calculations."
- (d) See "DISTRICT DEBT - Debt Service Requirements."

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OFFICIAL STATEMENT

relating to

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

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

\$1,800,000

**Unlimited Tax Refunding Bonds
Series 2019**

\$1,955,000

**Unlimited Tax Park Refunding Bonds
Series 2019A**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Charterwood Municipal Utility District (the "District") of its \$1,800,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Utility System Refunding Bonds") and its \$1,955,000 Unlimited Tax Park Refunding Bonds, Series 2019A (the "Series 2019A Park System Refunding Bonds," and collectively the "Bonds"), and the sale of the Bonds to the underwriter listed on the cover page, SAMCO Capital Markets, Inc. (the "Underwriter").

The Bonds are issued pursuant to (i) orders adopted by the Board of Directors of the District (collectively, the "Bond Order"), (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, (iii) City of Houston Ordinance No. 97-416, and (iv) various elections held within the District by participating voters.

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

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

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order adopted by the Board of Directors of the District (the "Board"). A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will bear interest from November 1, 2019, and will mature on May 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page. Interest on the Bonds will be paid on May 1, 2020, and on each November 1 and May 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 denominations of \$5,000 of principal amount 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, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially 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 to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the fifteenth calendar day of the month next preceding each interest payment date (the "Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the

address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption Provisions

The Bonds maturing on and after May 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on May 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above 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 (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same series and 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 maturities of the Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds of the same series and maturity will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; Harris County, Texas (the "County"); the City of Houston, Texas (the "City"); or any other political subdivision or any entity other than the District.

Payment Record

The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.

Authority for Issuance

The Bonds constitute the fifth series of unlimited tax refunding bonds issued for the Utility System (herein defined) and the first series of unlimited tax refunding bonds issued for the Park System (herein defined). Voters in the District have authorized a total of \$34,430,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System") and \$30,530,000 for refunding purposes and \$5,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities (the "Park System") and \$7,500,000 for refunding purposes. Following the issuance of the Bonds, \$12,330,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Utility System and \$23,020,000 for refunding purposes and \$2,280,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Park System and \$7,420,000 for refunding purposes will remain authorized and unissued.

The Bonds are issued pursuant to (i) the Bond Order, (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, (iii) City of Houston Ordinance No. 97-416, and (iv) various elections held within the District by participating voters.

Outstanding Bonds

The following bonds have been previously issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System") and for refunding purposes: \$1,580,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1976; \$1,690,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1978; \$1,725,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1980; \$2,825,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1985; \$4,995,000

Unlimited Tax Refunding Bonds, Series 1991; \$1,685,000 Unlimited Tax Refunding Bonds, Series 1994; \$4,455,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996; \$545,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996-A; \$2,060,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004; \$8,855,000 Unlimited Tax Bonds, Series 2007; \$2,670,000 Unlimited Tax Bonds, Series 2010; and \$8,195,000 Unlimited Tax Refunding Bonds, Series 2015. As of October 1, 2019, \$8,755,000 principal amount of such bonds remained outstanding (the "Outstanding Utility System Bonds"). The following bonds have been previously issued by the District for the purpose of acquiring or constructing parks and recreational facilities (the "Park System") and for refunding purposes: \$2,720,000 Unlimited Tax Park Bonds, Series 2010A. As of October 1, 2019, \$2,185,000 principal amount of such bonds remained outstanding (the "Outstanding Park System Bonds").

Exclusive of the Refunded Utility System Bonds, \$7,025,000 principal amount of unlimited tax bonds previously issued for the Utility System and for refunding purposes will remain outstanding following the issuance of the Series 2019 Utility System Refunding Bonds (the "Remaining Outstanding Utility System Bonds"). Exclusive of the Refunded Park System Bonds, \$310,000 principal amount of unlimited tax bonds previously issued for the Park System and for refunding purposes will remain outstanding following the issuance of the Series 2019A Park System Refunding Bonds (the "Remaining Outstanding Park System Bonds"). The Remaining Outstanding Utility System Bonds and the Remaining Outstanding Park System Bonds are collectively referred to herein as the "Remaining Outstanding Bonds."

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

Issuance of Additional Debt

The Bonds constitute the fifth series of unlimited tax refunding bonds issued for the Utility System and the first series of unlimited tax refunding bonds issued for the Park System. Voters in the District have authorized a total of \$34,430,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$30,530,000 for refunding purposes and \$5,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and \$7,500,000 for refunding purposes. Following the issuance of the Bonds, \$12,330,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Utility System and \$23,020,000 for refunding purposes and \$2,280,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Park System and \$7,420,000 for refunding purposes will remain authorized and unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the Texas Commission on Environmental Quality, if applicable). Currently, the District does not owe the developers of the District any amount for reimbursable expenditures to construct the existing water, wastewater, and drainage facilities located within the District.

The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefore and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds, which may be issued by the District. Any additional bonds issued by the District may be on parity with the Bonds.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the

remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain approval of the Texas Commission on Environmental Quality (the "TCEQ") prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Annexation

The District lies within the extraterritorial jurisdiction of the City.

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

Strategic Partnership Agreement – Limited Purpose Annexation by the City

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City whereby the tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City’s Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sale and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or (50%) of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax revenue to (1) accelerate the development of the water, wastewater and drainage system in the District, (2) accelerate reimbursement to developers for eligible infrastructure development, (3) lower the overall property tax rate to encourage additional development, and (4) perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial limitations.

The Sales and Use Tax was implemented within the annexed areas on July 1, 2003.

Neither the District nor any owners of taxable property in the District are liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

In consideration of the services provided by the City, in lieu of full purpose annexation, the District is required to pay the City an annual fee of \$100 on each anniversary of the date the SPA was approved by the City Council of the City. Under the SPA the City agrees that it will not annex all or part of the District until at least April 4, 2033. The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly to pay the principal of and interest on the Bonds.

Consolidation

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

Defeasance

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

other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the 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. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be

exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

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PLAN OF FINANCING

Use of Proceeds

The proceeds of the Series 2019 Utility System Refunding Bonds, together with other lawfully available District funds, will be applied to pay certain costs incurred in connection with the issuance of the Series 2019 Utility System Refunding Bonds and to refund \$1,730,000 principal amount of the District’s \$2,670,000 Unlimited Tax Bonds, Series 2010 (the “Refunded Utility System Bonds”). The refunding of the Refunded Utility System Bonds is expected to result in an annual and net present value savings in the District’s current annual debt service requirements.

The proceeds of the Series 2019A Park System Refunding Bonds will be applied to pay certain costs incurred in connection with the issuance of the Series 2019A Park System Refunding Bonds and to refund \$1,875,000 principal amount of the District’s \$2,720,000 Unlimited Tax Park Bonds, Series 2010A (the “Refunded Park System Bonds”). The refunding of the Refunded Park System Bonds is expected to result in an annual and net present value savings in the District’s current annual debt service requirements. The Refunded Utility System Bonds and the Refunded Park System Bonds are collectively referred to herein as the “Refunded Bonds.”

Refunded Utility System Bonds			Refunded Park System Bonds	
Principal Amount	Maturity Date		Principal Amount	Maturity Date
\$ 170,000	05/01/2022		\$ 170,000	05/01/2022
175,000	05/01/2023		175,000	05/01/2023
185,000	05/01/2024		185,000	05/01/2024
190,000	05/01/2025		195,000	05/01/2025
195,000	05/01/2026		205,000	05/01/2026
195,000	05/01/2027		220,000	05/01/2027
200,000	05/01/2028		230,000	05/01/2028
210,000	05/01/2029		240,000	05/01/2029
210,000	05/01/2030		255,000	05/01/2030
\$ 1,730,000			\$ 1,875,000	

Redemption Date: 11/20/2019

Total Principal Amount of the Refunded Utility System Bonds: \$1,730,000

Total Principal Amount of the Refunded Park System Bonds: \$1,875,000

Total Principal Amount of the Refunded Bonds: \$3,605,000

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Remaining Outstanding Bonds

The following table represents the previously issued bonds for the purpose of acquiring or constructing the Utility System and for refunding purposes that will remain outstanding following the issuance of the Series 2019 Utility System Refunding Bonds.

	Original Principal Amount	Outstanding Principal Amount	Less: Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Bonds, Series 2010	\$ 2,670,000	\$ 2,060,000	\$ (1,730,000)	\$ 330,000
Unlimited Tax Refunding Bonds, Series 2015	<u>8,195,000</u>	<u>6,695,000</u>	<u>-</u>	<u>6,695,000</u>
	<u>\$ 10,865,000</u>	<u>\$ 8,755,000</u>	<u>\$ (1,730,000)</u>	<u>\$ 7,025,000</u>

The following table represents the previously issued bonds for the purpose of acquiring or constructing the Park System and for refunding purposes that will remain outstanding following the issuance of the Series 2019A Park System Refunding Bonds.

	Original Principal Amount	Outstanding Principal Amount	Less: Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Park Bonds, Series 2010A	\$ 2,720,000	\$ 2,185,000	\$ (1,875,000)	\$ 310,000
	<u>\$ 2,720,000</u>	<u>\$ 2,185,000</u>	<u>\$ (1,875,000)</u>	<u>\$ 310,000</u>

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Sources and Uses of Funds

The proceeds from the sale of the Series 2019 Utility System Refunding Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of the Series 2019 Utility System Refunding Bonds ...	\$ 1,800,000
Net Premium.....	10,345
Accrued Interest on the Series 2019 Utility System Refunding Bonds ...	2,108
Debt Service Fund Transfer	<u>1,000</u>
Total Sources of Funds	<u>\$ 1,813,453</u>

USES OF FUNDS:

Deposit for Payment of the Refunded Utility System Bonds	\$ 1,733,652
Deposit of Accrued Interest to Debt Service Fund	2,108
Insurance Premium.....	3,825
Issuance Expenses and Underwriter's Discount.....	<u>73,868</u>
Total Uses of Funds	<u>\$ 1,813,453</u>

The proceeds from the sale of the Series 2019A Park System Refunding Bonds will be applied as follows:

SOURCES OF FUNDS:

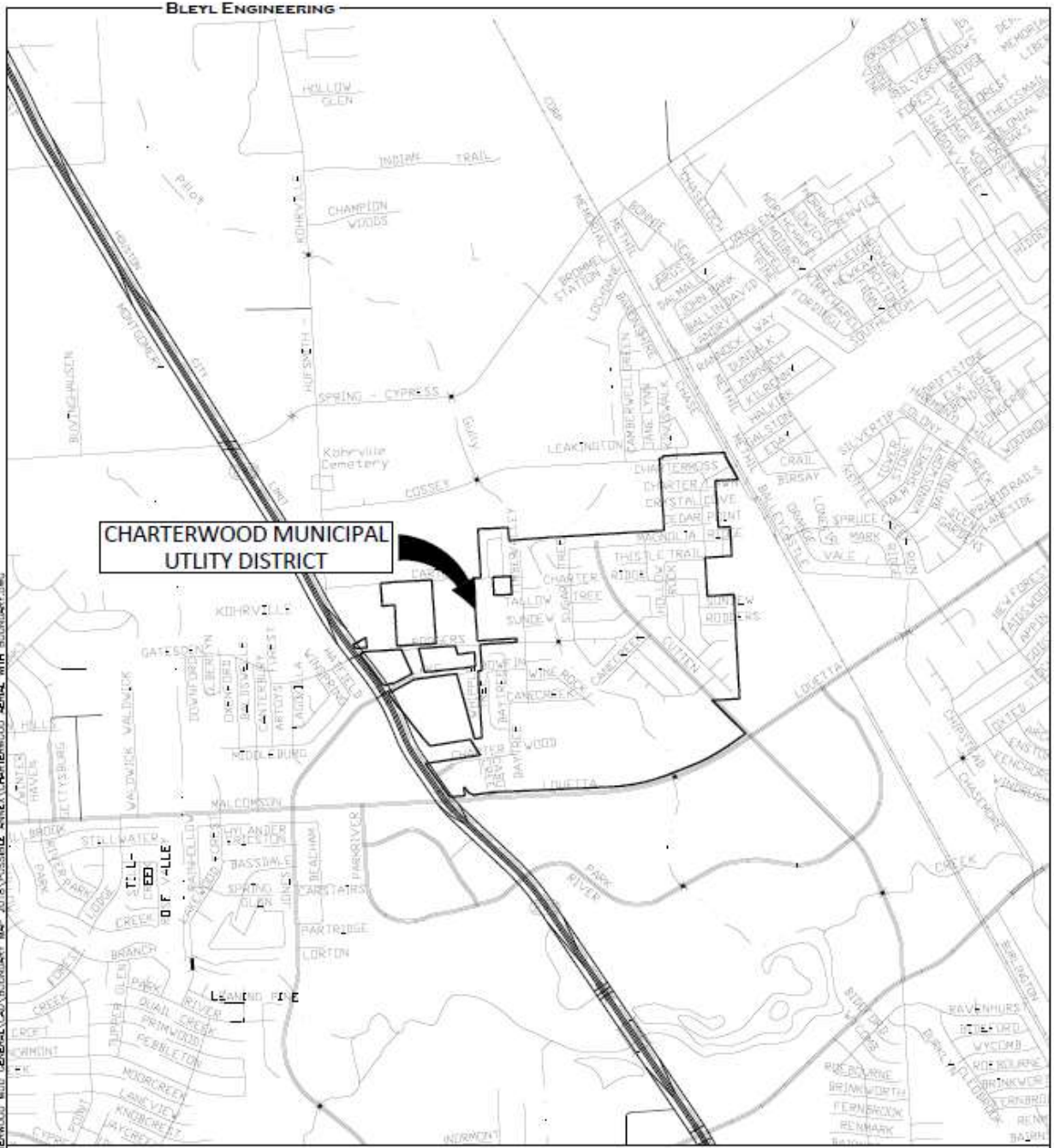
Principal Amount of the Series 2019A Park System Refunding Bonds...	\$ 1,955,000
Net Premium.....	7,966
Accrued Interest on the Series 2019A Park System Refunding Bonds ...	<u>2,272</u>
Total Sources of Funds	<u>\$ 1,965,238</u>

USES OF FUNDS:

Deposit for Payment of the Refunded Park System Bonds.....	\$ 1,878,807
Deposit of Accrued Interest to Debt Service Fund	2,272
Insurance Premium.....	4,166
Issuance Expenses and Underwriter's Discount.....	<u>79,993</u>
Total Uses of Funds	<u>\$ 1,965,238</u>



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LOCATION MAP



23.1340 CHARTERWOOD MUD GENRAL CAD BOUNDARY MAP 2019 POSSIBLE ANNEX CHARTERWOOD AERIAL WITH BOUNDARY.DWG

LOCATION MAP

 SCALE: N.T.S.	PROJECT NAME: CHARTERWOOD MUNICIPAL UTILITY DISTRICT	 BLEYL ENGINEERING TEXAS FIRM REGISTRATION NO. F-678 400 RANDAL WAY, SUITE 300 SPRING, TEXAS 77388 PHONE 836-271-8600 WWW.BLEYLENGINEERING.COM
	PROJECT NUMBER: 90700	
	PREPARED FOR: CHARTERWOOD MUD	
	DATE: OCTOBER 2019	

THE DISTRICT

General

The District is a limited purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the Texas Water Rights Commission, predecessor to the TCEQ, in 1972. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapter 54, Texas Water Code, as amended. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District may also provide solid waste collection and disposal service. The District, if approved by the voters within the District and the TCEQ, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ.

The District is located in the northwestern part of the County, approximately 21 miles from the City's central business district and approximately 3 miles north of the intersection of Highway 249 and F.M. 1960. The District is located less than one mile from the Hewlett-Packard corporate office. The District extends to Louetta Road and is adjacent to Harris County Water Control & Improvement District No. 119 ("HC W&ID No. 119"). The District is within the boundaries of Klein Independent School District and in the exclusive extraterritorial jurisdiction of the City.

As originally created, the District contained approximately 281 acres. Subsequent annexations have resulted in the District's current area of approximately 471 acres.

According to the District's Engineer (herein defined), based on information obtained from the Harris County Engineering Department, none of the acreage within the District lies in the current 100-year flood plain except for the easement containing Pillot Gully, which flows through the District and into Cypress Creek.

Status of Development

Residential Development: Approximately 374 acres within the District have been developed primarily as the residential subdivisions of Charterwood, Sections 1-7 and 9-11; Majestic Oaks, Section 1; Woodbend Pines and Vintage Lakes, Sections 1 and 2. Charterwood, Section 11 has been developed with 36 quadplexes, totaling 144 single-units. Homebuilding began in the District in 1974. As of October 1, 2019, single-family development consisted of 1,249 completed and occupied homes, no homes under construction, no vacant developed lots and 36 completed and occupied quadplexes.

Commercial and Multifamily Development: Commercial development in the District includes 24-Hour Fitness Club, a 93,000 square foot Home Depot store; Brownie's Market, a 2,600 square foot convenience store; Toddler House, a 7,000 square foot day care center; Jackson-Klein Properties, a 3,000 square foot office building; Modular Production Equipment, a facility for the manufacture of machinery which separates oil and water; a 64-room Comfort Suites Hotel; two fast food restaurants; a retail center; three restaurants; The Shops at The Vintage, a 31,363 square foot retail center, which is 98% leased; and a 29,465 square foot retail center called The Vintage Center. The District also includes a 156-unit apartment complex and a 324-unit apartment complex. There are no remaining acres within the District which are undeveloped but developable.

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Management of the District

- Board of Directors -

The District is governed by a board of directors (the “Board”), consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held within the District on the second Saturday in May in each odd numbered year. All directors reside or own property within the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Jean Aldredge	President	2021
Tommy Kelley	Vice President/Treasurer	2023
Grace Jackson	Secretary	2021
Thomas Thomson	Assistant Secretary	2023
Mark Shultz	Assistant Secretary	2021

- Consultants -

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Harris County Appraisal District (the “Appraisal District”). The Tax Assessor/Collector for the District is Bob Leared Interests.

Bookkeeper – The District contracts with District Data Services as Bookkeeper for the District.

Engineer – The District’s consulting engineer is Bleyl Engineering (the “Engineer”).

Operator – The District’s operator is Municipal District Services LLC.

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ending March 31, 2019, is included as APPENDIX A to this Official Statement.

Financial Advisor – Robert W. Baird & Co. Incorporated 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 actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Legal Counsel – The District engaged Coats Rose, P.C. as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

Special Consultants Related to Issuance of the Bonds

Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA LLC, Certified Public Accountants, will verify to the District, Bond Counsel, Special Tax Counsel, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

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DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the current debt service requirements on the District's outstanding debt, less the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Calendar Year	Outstanding Debt Service (a)	Refunded Bonds	Series 2019 Utility System Refunding Bonds		Series 2019A Park System Refunding Bonds		Total Debt Service
			Principal	Interest	Principal	Interest	
2019	\$ 165,443	-	-	-	-	-	\$ 165,443
2020	1,149,196	\$ 141,338	\$ 5,000	\$ 39,875	\$ 5,000	\$ 42,975	1,100,708
2021	1,150,274	141,338	15,000	39,575	15,000	42,675	1,121,186
2022	1,159,874	475,069	185,000	36,575	185,000	39,675	1,131,055
2023	1,158,061	472,238	190,000	30,950	190,000	34,050	1,130,823
2024	1,170,140	478,738	200,000	26,100	200,000	29,200	1,146,702
2025	1,175,579	479,100	200,000	22,100	210,000	25,100	1,153,679
2026	1,179,455	478,400	200,000	18,100	215,000	20,850	1,155,005
2027	1,182,229	477,100	200,000	14,100	225,000	16,450	1,160,679
2028	1,188,839	475,200	200,000	10,100	230,000	11,900	1,165,639
2029	1,194,185	477,600	205,000	6,050	235,000	7,250	1,169,885
2030	1,198,266	474,300	200,000	2,000	245,000	2,450	1,173,416
Total	\$ 13,071,541	\$ 4,570,421	\$ 1,800,000	\$ 245,525	\$ 1,955,000	\$ 272,575	\$ 12,774,220

(a) Outstanding debt as of October 1, 2019.

Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2030)	\$ 1,146,253
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)	\$ 1,173,416

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DISTRICT FINANCIAL DATA

Assessed Value

2019 Assessed Valuation	\$ 412,181,483 (a)
Direct Debt:	
The Remaining Outstanding Bonds	\$ 7,335,000
The Bonds.....	<u>3,755,000</u>
Total.....	\$ 11,090,000
Estimated Overlapping Debt	<u>\$ 23,208,396</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 34,298,396</u>
Direct Debt Ratios:	
As a percentage of 2019 Assessed Valuation	2.69 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2019 Assessed Valuation	8.32 %
Debt Service Fund Balance (as of September 24, 2019).....	\$ 1,645,476 (b)
Capital Projects Fund Balance (as of September 24, 2019)	\$ 2,625,817
Operating Fund Balance (as of September 24, 2019)	\$ 3,263,720
2019 Tax Rate per \$100 of Assessed Valuation	
Debt Service	0.255
Maintenance & Operation	<u>0.150</u>
Total	\$ 0.405 (c)
Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2030).....	\$ 1,146,253 (d)
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)	\$ 1,173,416 (d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2030) at 95% Tax Collections: Based Upon the 2019 Assessed Valuation (\$412,181,483)	\$ 0.30
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2030) at 95% Tax Collections: Based Upon the 2019 Assessed Valuation (\$412,181,483)	\$ 0.30

- (a) Certified assessed valuation within the District as provided by the Appraisal District. This value includes \$23,712,590 of uncertified assessed valuation. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Neither Texas Law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Debt Service Fund.
- (c) See "TAX DATA - Tax Rate Calculations."
- (d) See "DISTRICT DEBT -Debt Service Requirements."

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Unlimited Tax Bonds Authorized but Unissued

- Utility System Bonds -

The bonds authorized by the District, the amount of bonds issued and the remaining authorized but unissued bonds for the Utility System are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Unissued</u>
01/05/1974	New Issuance	\$ 5,470,000 (a)	\$ 2,645,000	\$ 0 (a)
12/16/1978	New Issuance	2,500,000	2,500,000	0
09/10/1983	New Issuance	2,885,000	2,885,000	0
04/06/1991	Refunding	8,030,000	7,510,000 (b)	520,000 (b)
09/16/1995	New Issuance	11,400,000	11,400,000	0
11/03/2009	New Issuance	15,000,000	2,670,000	12,330,000
11/03/2009	Refunding	22,500,000	0	22,500,000

(a) The authority to issue the remaining \$2,825,000 unissued bonds from the January 5, 1974, election was revoked by the September 10, 1983, election.

(b) Includes the Series 2019 Utility System Refunding Bonds.

- Park System Bonds -

The bonds authorized by the District, the amount of bonds issued and the remaining authorized but unissued bonds for the Park System are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Unissued</u>
11/03/2009	New Issuance	\$ 5,000,000	\$ 2,720,000	\$ 2,280,000
11/03/2009	Refunding	7,500,000	80,000 (a)	7,420,000 (a)

(a) Includes the Series 2019A Park System Refunding Bonds.

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Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt as of August 31, 2019	Estimated Overlapping	
		Percent	Amount
Harris County	\$ 1,599,402,125	0.09%	\$ 1,362,084
Harris County Department of Education	6,320,000	0.09%	5,381
Harris County Flood Control District	83,075,000	0.09%	72,270
Harris County Hospital District	57,300,000	0.09%	49,836
Klein Independent School District	1,114,535,000	1.80%	20,069,961
Lone Star College System	581,595,000	0.19%	1,132,274
Port of Houston Authority	593,754,397	0.09%	516,591
Total Estimated Overlapping Debt			<u>\$ 23,208,396</u>
The District			<u>\$ 11,090,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 34,298,396</u> (a)

(a) Includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2019 Assessed Valuation (\$977,282,922)	2.69%	8.32%

(a) Includes the Bonds and excludes the Refunded Bonds.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$0.15 per \$100 of assessed valuation, for operation and maintenance purposes. The Board levied a 2019 tax

rate of \$0.255 per \$100 of assessed valuation for debt service and \$0.150 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance: \$0.15 per \$100 of Assessed Valuation.

Tax Exemption

For the 2019 tax year, the District has adopted an exemption from ad valorem taxation of \$10,000 of the approved value of residence homestead of individuals who are disabled or are sixty-five (65) years of age or older. To date, the District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Historical Collections

The following table illustrates the collection history of the District for the 2008–2019 tax years:

Tax Year	Assessed Valuation	Tax Rate/ \$100	Adjusted Levy	% Collections Current Year	Fiscal Year Ending 03/31	% Collections as of 08/31/2019
2008	\$ 276,473,200	\$ 0.650	\$ 1,796,462	100.00%	2009	99.94%
2009	267,379,249	0.640	1,707,537	99.75%	2010	99.95%
2010	258,463,271	0.640	1,652,602	100.00%	2011	99.96%
2011	251,238,917	0.640	1,606,544	99.49%	2012	99.97%
2012	266,835,224	0.640	1,706,598	99.48%	2013	99.97%
2013	292,834,127	0.590	1,727,504	99.07%	2014	99.90%
2014	337,035,430	0.540	1,819,792	98.50%	2015	99.87%
2015	375,327,969	0.440	1,651,443	98.57%	2016	99.82%
2016	392,738,579	0.420	1,649,502	98.95%	2017	99.76%
2017	405,946,561	0.420	1,704,976	99.39%	2018	99.65%
2018	417,918,296	0.420	1,755,257	97.72%	2019	99.17%
2019	412,181,483 (a)	0.405	1,669,335	(b)	2020	(b)

(a) This value includes \$23,712,590 of uncertified assessed valuation.

(b) Collections in progress.

Tax Rate Distribution

	2019	2018	2017	2016	2015	2014
Debt Service	\$0.255	\$0.270	\$0.270	\$0.270	\$0.290	\$0.390
Maintenance	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>
	<u>\$0.405</u>	<u>\$0.420</u>	<u>\$0.420</u>	<u>\$0.420</u>	<u>\$0.440</u>	<u>\$0.540</u>

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Analysis of Tax Base

The following table illustrates the District's total taxable assessed valuation for the 2015-2019 tax years by type of property.

Type of Property	2019 Assessed Valuation (a)	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation
Land	\$ 87,268,536	\$ 92,101,773	\$ 87,300,123	\$ 81,910,596	\$ 81,298,677
Improvements	295,085,932	316,856,780	318,203,439	304,922,999	289,412,802
Personal Property	16,733,796	27,487,127	23,637,419	23,430,528	23,737,448
Exemptions	<u>(10,619,771)</u>	<u>(18,527,384)</u>	<u>(23,194,420)</u>	<u>(17,525,554)</u>	<u>(19,120,958)</u>
Total	<u>\$ 388,468,493</u>	<u>\$ 417,918,296</u>	<u>\$ 405,946,561</u>	<u>\$ 392,738,579</u>	<u>\$ 375,327,969</u>

(a) These values do not include \$23,712,590 of uncertified assessed valuation.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019:

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll
Blue Atlantic Vintage Park LP	Land & Improvements	\$ 38,865,800
Trivoli at Vintage Park LLC	Land & Improvements	11,988,707
HD Development Properties LP	Land & Improvements	8,785,905
Watumull Vintage LLC	Land & Improvements	8,545,414
Olympia Drive Vintage LLC	Land & Improvements	7,148,796
Vintage Center LTD	Land & Improvements	5,788,094
The Home Depot USA LLC	Land & Improvements	5,537,619
Vintage Pad Development LLC	Land & Improvements	4,472,233
Rodgers Road Properties LLC	Land & Improvements	4,065,770
21614 Tomball LLC	Land & Improvements	<u>3,761,315</u>
Total		<u>\$ 98,959,653</u>
% of Respective Tax Roll		24.01%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 assessed valuation of \$412,181,483. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2020-2030).....		\$ 1,146,253
Tax Rate of \$0.30 on the 2019 assessed valuation at 95% collection produces.....		\$ 1,174,717
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)		\$ 1,173,416
Tax Rate of \$0.30 on the 2019 assessed valuation at 95% collection produces.....		\$ 1,213,874

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Estimated Overlapping Taxes

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

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

<u>Taxing Jurisdiction</u>	<u>2018 Tax Rate Per \$100 Of Assessed Valuation</u>
The District (a)	\$0.405000
Harris County	0.418580
Harris County Department of Education	0.005190
Harris County Flood Control District	0.028770
Harris County Hospital District	0.171080
Port of Houston Authority	0.011550
Klein Independent School District	1.430000
Lone Star College System	0.107800
Harris County Emergency Service District No. 11	0.036060
Harris County Emergency Service District No. 16	<u>0.049570</u>
Total Tax Rate	<u>\$2.663600</u>

(a) Represents the District’s 2019 tax rate. The other entities listed are in the process of levying their 2019 tax rate.

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TAXING PROCEDURES

Authority to Levy Taxes

The District is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the District may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA – General."

Property Tax Code and County-wide Appraisal District

The Texas Property Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted a homestead exemption. See "TAX DATA."

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

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

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THE SYSTEM

General

The following statement sets forth in condensed form the historical results of operation of the District's System. The statement has been prepared by the Financial Advisor for inclusion herein based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A."

Historical Operations of the System

	Fiscal Year Ended March 31				
	2019	2018	2017	2016	2015
REVENUES:					
Property Taxes	\$ 611,422	\$ 613,181	\$ 591,396	\$ 558,957	\$ 508,153
Water Service	457,189	514,762	451,764	450,877	420,216
Wastewater Service	583,853	595,938	576,543	579,986	561,449
Regional Water Authority Fees	826,145	821,376	629,190	538,121	502,406
Penalty and Interest	20,036	23,756	25,646	22,431	22,380
Tap Connection and Inspection Fees	56,950	49,845	52,370	165,675	55,285
Water Authority Credits	94,913	94,913	94,913	94,913	93,561
Sales Tax Revenues	442,035	454,617	413,159	407,588	410,487
Miscellaneous Revenues	<u>118,200</u>	<u>72,405</u>	<u>55,413</u>	<u>41,808</u>	<u>37,781</u>
TOTAL REVENUES	<u>\$ 3,210,743</u>	<u>\$ 3,240,793</u>	<u>\$ 2,890,394</u>	<u>\$ 2,860,356</u>	<u>\$ 2,611,718</u>
EXPENDITURES:					
Professional Fees	\$ 295,979	\$ 166,913	\$ 139,382	\$ 171,882	\$ 247,738
Contracted Services	537,500	537,083	534,699	526,120	521,804
Purchased Wastewater Service	298,393	357,476	361,887	347,306	287,306
Utilities	46,819	51,480	42,043	42,664	42,611
Repairs and Maintenance	333,181	313,473	277,953	341,637	359,756
Purchased Water/Pumpage Fees	823,783	790,609	639,218	520,144	478,788
Other	277,365	234,985	236,348	350,265	282,460
Capital Outlay	<u>408,997</u>	<u>774,100</u>	<u>355,025</u>	<u>1,022,445</u>	<u>410,230</u>
TOTAL EXPENDITURES	<u>\$ 3,022,017</u>	<u>\$ 3,226,119</u>	<u>\$ 2,586,555</u>	<u>\$ 3,322,463</u>	<u>\$ 2,630,693</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 188,726</u>	<u>\$ 14,674</u>	<u>\$ 303,839</u>	<u>\$ (462,107)</u>	<u>\$ (18,975)</u>

Regulation

According to the Engineer, the District's Utility System financed by the District have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the Texas Department of State Health Services (successor to the Texas Department of Health), the County and the City.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ and the Texas Department of State Health Services. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

The District is within the Harris-Galveston Coastal Subsidence District (the "Subsidence District"), which regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas within its boundaries to convert most of their water supply to surface water under various schedules and has published a timetable that would require the District to restrict the withdrawal of ground water and to develop a plan for the conversion to surface water consumption. The District is included in the North Harris County Regional Water Authority (the "Authority") and is part of the Authority's Groundwater Reduction Plan to convert to surface water in accordance with the Subsidence District's conversion mandate. The issuance of additional bonds by the District in the future in an undetermined amount may be necessary to meet the District's obligation to the Authority. See "THE SYSTEM – Subsidence and Conversion to Surface Water Supply" and "INVESTMENT CONSIDERATIONS – Subsidence and Conversion of Surface Water Supply."

Description

The water, wastewater and drainage facilities of the District are described below, based on information obtained from the District's Engineer.

- Water Supply -

Groundwater: The District's groundwater supply is provided by two existing water plants. Water Plant No.1 has a 400 gallon per minute ("gpm") well, one 200,000 gallon ground storage tank and a 10,000 gallon hydropneumatic tank. Water Plant No. 2 currently has a 960 gpm well, 1,030,000 gallons of ground storage tank capacity and 60,000 gallons of hydropneumatic tank capacity.

The District has an Interlocal Agreement with the HC WC&ID No. 119 for an emergency water supply interconnect line and an interconnect with Harris County Municipal Utility District No. 468 ("HC MUD 468").

Surface Water: The Authority has contracted with the City to secure a long term delivery of surface water through the transmission and distribution system to this area. The current contract with the City is in the average amount of thirty-one (31) million gallons of water per day. The District is within the Authority's 2010 initial phase of conversion and is one of many entities receiving surface water. The amount of surface water to be delivered to the District ranges from 0.30 mgd to 1.6 mgd. Although the District is receiving surface water, the water wells are maintained and utilized at this time to provide an adequate water supply during periods of peak demand.

The District's water supply facilities are capable of serving 2,750 equivalent single-family connections ("esfc") which is sufficient to serve the District's existing 2,573 esfc.

- Sewage Treatment -

The District's wastewater treatment plant ("Charterwood Plant") is currently capable of treating an average daily flow of 1,650,000 gallons and flows being received at such plant are approximately 560,000 gallons per day. The plant components consist of a submersible lift station, aeration units, clarifier, aerobic digester and chlorine contact changer. The plant also has emergency power capabilities in the event of power outages. The District has entered into a Wastewater Treatment Facilities Agreement (the "Agreement") with HC MUD 468 pursuant to which the District and HC MUD 468 share capacity in the Charterwood Plant. The District owns 48.5% of the capacity and HC MUD 468 owns 51.5% of the capacity in the Charterwood Plant. Pursuant to the Agreement, the District manages the Charterwood Plant with cost of operating being split between the two (2) owners based upon owned capacity for fixed operating costs and flows for variable operating costs. Each party is entitled to expand the Charterwood Plant in the future, as necessary.

The District owns 800,000 gpd capacity in the Charterwood Plant, which is capable of service 2,667 esfc. This capacity is sufficient to serve the District at full build-out.

Subsidence and Conversion of Surface Water Supply

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

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and

the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

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

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

Parks and Recreational Facilities

The park system includes a trail system, landscaping, and District signage along the maintenance berm of Pillot Gully. Included in the trail improvements is a pedestrian bridge which provides circulation for the trails along each side of Pillot Gully.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; the County; the City; or any political subdivision, will be secured by a continuing direct annual ad valorem tax, levied without legal limitation as to rate or amount, on all property located within the District. (See "THE BONDS – Source of Payment.") The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2019 owned property located within the District the aggregate assessed valuation of which comprised approximately 15.47% of the District's total 2019 assessed valuation. Blue Atlantic Vintage Park LP, the District's top taxpayer, owns approximately 9.43% of the District's 2019 assessed valuation. In the event that the top taxpayer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District

tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA - Principal Taxpayers" and "TAXING PROCEDURES - Levy and Collection of Taxes."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2019 assessed valuation of property located within the District is \$412,181,483 (see "TAX DATA"). After issuance of the Bonds, the maximum annual debt service requirement for the Remaining Outstanding Bonds and the Bonds will be \$1,213,874 (2030) and the average annual debt service requirement for the Remaining Outstanding Bonds and the Bonds will be \$1,213,874 (2020 through 2043). Based on the 2019 assessed valuation and no use of funds on hand, a tax rate of \$0.30 per \$100 of assessed valuation, at a 95% collection rate, would be necessary to pay the maximum annual debt service requirement for the Remaining Outstanding Bonds and the Bonds and a tax rate of \$0.30 per \$100 of assessed valuation, at a 95% tax collection rate, would be necessary to pay the average annual debt service requirement for the Remaining Outstanding Bonds and the Bonds.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary

market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market.

Environmental Regulations

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

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

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

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

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

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

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial

sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final sixty days after its publication in the Federal Register.

On December 11, 2018, the EPA and USACE released a proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most

roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comments on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019, but the proposed rule has not been finalized.

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

Hurricane Harvey

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

According to the District’s operator, the District’s system sustained no material damage and there was no interruption of water and sewer service as a result of the storm. According to the Engineer, no homes or other improvements within the District at the time of the storm experienced flooding or any material damage.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Texas Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Texas Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

Potential Impact of Natural Disaster

The District is located approximately 95 miles from the Texas Gulf Coast and, as it has in the past, the District and surrounding areas could be impacted by wide-spread fires, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation of the District or an increase in the District’s tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Bond Insurance Risk Factors

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

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

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

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

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

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with such 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 issue. See "TAX MATTERS."

Future Debt

Voters in the District have authorized a total of \$34,430,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$30,530,000 for refunding purposes and \$5,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and \$7,500,000 for refunding purposes. Following the issuance of the Bonds, \$12,330,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Utility System and \$23,020,000 for refunding purposes and \$2,280,000 principal amount of unlimited tax bonds issued for the purpose of acquiring or constructing the Park System and \$7,420,000 for refunding purposes will remain authorized and unissued.

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions as described below under "TAX EXEMPTION." The legal opinion of Bond Counsel may be printed on the Bonds.

Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the

District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Qualified Tax-Exempt Obligations

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

The District designated the Bonds as “qualified tax-exempt obligations” and represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2018 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2019.

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to (a) computation of the adequacy of the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds and was verified by Robert Thomas CPA LLC. The computations were independently verified by Robert Thomas CPA LLC based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Robert Thomas CPA LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

CONTINUING DISCLOSURE

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

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2019. The District will provide the updated information to EMMA.

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

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

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material,

or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or 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 obligated person, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the past five years, the District has complied with its prior continuing disclosure agreement in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

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

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Bob Leared Interests and the Appraisal District. Such information has been included herein in reliance upon Bob Leared Interests' authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and 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, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

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CONCLUDING STATEMENT

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

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

/s/ Jean Aldredge
President, Board of Directors
Charterwood Municipal Utility District

ATTEST:

/s/ Grace Jackson
Secretary, Board of Directors
Charterwood Municipal Utility District

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APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MARCH 31, 2019

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Charterwood Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Charterwood Municipal Utility District (the "District"), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 23, 2019

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

Management's discussion and analysis of Charterwood Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$17,890,979 as of March 31, 2019. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities as well as park facilities, buildings and equipment, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 10,462,018	\$ 10,277,349	\$ 184,669
Capital Assets (Net of Accumulated Depreciation)	<u>19,458,823</u>	<u>19,678,464</u>	<u>(219,641)</u>
Total Assets	<u>\$ 29,920,841</u>	<u>\$ 29,955,813</u>	<u>\$ (34,972)</u>
Deferred Outflows of Resources	<u>\$ 247,383</u>	<u>\$ 269,683</u>	<u>\$ (22,300)</u>
Bonds Payable	\$ 11,667,664	\$ 12,431,143	\$ 763,479
Other Liabilities	<u>609,581</u>	<u>582,186</u>	<u>(27,395)</u>
Total Liabilities	<u>\$ 12,277,245</u>	<u>\$ 13,013,329</u>	<u>\$ 736,084</u>
Net Position:			
Net Investment in Capital Assets	\$ 10,640,785	\$ 10,093,855	\$ 546,930
Restricted	2,557,418	2,578,330	(20,912)
Unrestricted	<u>4,692,776</u>	<u>4,539,982</u>	<u>152,794</u>
Total Net Position	<u>\$ 17,890,979</u>	<u>\$ 17,212,167</u>	<u>\$ 678,812</u>

The following table provides a summary of the District's operations for the years ended March 31, 2019, and March 31, 2018.

	<u>Summary of Changes in the Statement of Activities</u>		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,725,014	\$ 1,705,014	\$ 20,000
Charges for Services	2,234,847	2,296,398	(61,551)
Other Revenues	<u>667,775</u>	<u>619,974</u>	<u>47,801</u>
Total Revenues	<u>\$ 4,627,636</u>	<u>\$ 4,621,386</u>	<u>\$ 6,250</u>
Expenses for Services	<u>3,948,824</u>	<u>3,793,446</u>	<u>(155,378)</u>
Change in Net Position	\$ 678,812	\$ 827,940	\$ (149,128)
Net Position, Beginning of Year	<u>17,212,167</u>	<u>16,384,227</u>	<u>827,940</u>
Net Position, End of Year	<u>\$ 17,890,979</u>	<u>\$ 17,212,167</u>	<u>\$ 678,812</u>

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2019, were \$8,913,747, an increase of \$176,878 from the prior fiscal year.

The General Fund fund balance increased by \$188,726, primarily due to operating and sales tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$37,240, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$25,392 primarily due to investment revenues.

BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the General Fund budget during the current fiscal year. For the General Fund, actual revenues were \$41,257 less than budgeted revenues primarily due to lower than expected water authority fees and water service revenues offset by higher than anticipated investment revenues and water authority credits. Actual expenditures were \$428,883 less than budgeted expenditures primarily due to lower than anticipated capital outlay and purchased water and wastewater costs.

The Special Revenue Fund budget was not amended during the current fiscal year. For the Special Revenue Fund, actual expenditures were \$121,321 less than budgeted expenditures primarily due to lower than expected repairs and maintenance, utilities, chemicals and sludge hauling expenditures.

LONG-TERM DEBT ACTIVITY

As of March 31, 2019, the District had total bonds payable of \$11,740,000. The changes in bonds payable during the year ended March 31, 2019, are summarized as follows:

Bond Debt Payable, April 1, 2018	\$ 12,510,000
Less: Bond Principal Paid	<u>770,000</u>
Bond Debt Payable, March 31, 2019	<u>\$ 11,740,000</u>

The Series 2010 Bonds and Series 2010 Park Bonds carry underlying ratings of "A" and insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The above ratings are as of March 31, 2019, and reflect all changes in ratings through the fiscal year-end.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2019**

CAPITAL ASSETS

Capital assets as of March 31, 2019, totaled \$19,458,823 (net of accumulated depreciation) and include land and land improvements, construction in progress, park facilities, and buildings and equipment as well as the water, wastewater and drainage systems. Capital asset activity during the current year primarily included construction in progress related to the District meeting building and expenditures for sanitary sewer improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,119,938	\$ 2,119,938	\$
Construction in Progress	166,608	310,523	(143,915)
Capital Assets, Net of Accumulated Depreciation:			
Building and Equipment	1,371,138	1,407,519	(36,381)
Park Facilities	1,607,854	1,654,763	(46,909)
Water System	5,107,061	5,312,047	(204,986)
Wastewater System	8,205,015	7,962,052	242,963
Drainage System	881,209	911,622	(30,413)
Total Net Capital Assets	\$ 19,458,823	\$ 19,678,464	\$ (219,641)

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The amended 2020 budget projects a budgeted General Fund deficit of \$325,500. Revenue is expected to be \$3,290,000 and expenditures are expected to be \$3,615,500.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Charterwood Municipal Utility District, c/o Coats Rose, P. C. 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2019

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 749,361	\$ 29,428
Investments	3,008,700	
Receivables:		
Property Taxes	23,641	
Penalty and Interest on Delinquent Taxes		
Service Accounts	141,912	
Sales Taxes	106,451	
Other	2,835	
Due from Other Funds	33,362	
Water Authority Capital Contributions		
Chloramination Credit Receivable		
Prepaid Costs	23,056	
Due from Participant		55,838
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,089,318	\$ 85,266
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,089,318	\$ 85,266

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,193,149	\$ 1,525,602	\$ 3,497,540	\$	\$ 3,497,540
1,463,756	1,076,641	5,549,097		5,549,097
49,254		72,895		72,895
		141,912	10,133	10,133
		106,451		106,451
		2,835		2,835
3,104		36,466	(36,466)	
			747,792	747,792
			254,469	254,469
		23,056		23,056
		55,838		55,838
			2,119,938	2,119,938
			166,608	166,608
			17,172,277	17,172,277
<u>\$ 2,709,263</u>	<u>\$ 2,602,243</u>	<u>\$ 9,486,090</u>	<u>\$ 20,434,751</u>	<u>\$ 29,920,841</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 247,383</u>	<u>\$ 247,383</u>
<u>\$ 2,709,263</u>	<u>\$ 2,602,243</u>	<u>\$ 9,486,090</u>	<u>\$ 20,682,134</u>	<u>\$ 30,168,224</u>

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2019

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	\$ 147,290	\$ 51,904
Accrued Interest Payable		
Due to Other Funds	3,104	33,362
Due to Taxpayers		
Security Deposits	248,409	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 398,803	\$ 85,266
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 23,641	\$ -0-
FUND BALANCES		
Nonspendable-Prepaid Costs	\$ 23,056	\$
Restricted For Construction		
Restricted For Debt Service		
Assigned to 2020 Budget Deficit	325,500	
Unassigned	3,318,318	
TOTAL FUND BALANCES	\$ 3,666,874	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,089,318	\$ 85,266
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$	\$ 199,194	\$	\$ 199,194
			146,599	146,599
		36,466	(36,466)	
15,379		15,379		15,379
		248,409		248,409
			800,000	800,000
			10,867,664	10,867,664
<u>\$ 15,379</u>	<u>\$ -0-</u>	<u>\$ 499,448</u>	<u>\$ 11,777,797</u>	<u>\$ 12,277,245</u>
<u>\$ 49,254</u>	<u>\$ -0-</u>	<u>\$ 72,895</u>	<u>\$ (72,895)</u>	<u>\$ -0-</u>
\$	\$	\$ 23,056	\$ (23,056)	\$
	2,602,243	2,602,243	(2,602,243)	
2,644,630		2,644,630	(2,644,630)	
		325,500	(325,500)	
		3,318,318	(3,318,318)	
<u>\$ 2,644,630</u>	<u>\$ 2,602,243</u>	<u>\$ 8,913,747</u>	<u>\$ (8,913,747)</u>	<u>\$ - 0 -</u>
<u>\$ 2,709,263</u>	<u>\$ 2,602,243</u>	<u>\$ 9,486,090</u>		
			\$ 10,640,785	\$ 10,640,785
			2,557,418	2,557,418
			4,692,776	4,692,776
			<u>\$ 17,890,979</u>	<u>\$ 17,890,979</u>

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

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2019**

Total Fund Balances - Governmental Funds		\$ 8,913,747
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Long-term receivables are recorded in the Statement of Net Position.		1,002,261
Deferred charges on refunding bonds are amortized over the shorter of the remaining life of the old debt or the life of the new debt.		247,383
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		19,458,823
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		83,028
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	\$ (146,599)	
Bonds Payable	<u>(11,667,664)</u>	<u>(11,814,263)</u>
Total Net Position - Governmental Activities		<u>\$ 17,890,979</u>

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

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**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2019**

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 611,422	\$
Water Service	457,189	
Wastewater Service	583,853	575,113
Water Authority Fees	826,145	
Penalty and Interest	20,036	
Tap Connection and Inspection Fees	56,950	
Water Authority Credits	94,913	
Sales Tax Revenues	442,035	
Miscellaneous Revenues	118,200	66
TOTAL REVENUES	\$ 3,210,743	\$ 575,179
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 295,979	\$ 24,976
Contracted Services	537,500	6,159
Purchased Wastewater Service	298,393	
Utilities	46,819	128,857
Purchased Water/Pumpage Fees	823,783	
Repairs and Maintenance	333,181	124,118
Depreciation		
Other	277,365	291,069
Capital Outlay	408,997	
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 3,022,017	\$ 575,179
NET CHANGE IN FUND BALANCES	\$ 188,726	\$ -0-
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2018	3,478,148	
FUND BALANCES/NET POSITION - MARCH 31, 2019	\$ 3,666,874	\$ -0-

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,101,880	\$	\$ 1,713,302	\$ 11,712	\$ 1,725,014
		457,189		457,189
		1,158,966	(298,393)	860,573
		826,145		826,145
13,203		33,239	751	33,990
		56,950		56,950
		94,913	(40,673)	54,240
		442,035		442,035
27,405	25,829	171,500		171,500
<u>\$ 1,142,488</u>	<u>\$ 25,829</u>	<u>\$ 4,954,239</u>	<u>\$ (326,603)</u>	<u>\$ 4,627,636</u>
\$ 1,689	\$	\$ 322,644	\$	\$ 322,644
32,464		576,123		576,123
		298,393	(298,393)	
		175,676		175,676
		823,783		823,783
		457,299		457,299
			628,638	628,638
11,956	437	580,827		580,827
		408,997	(408,997)	
770,000		770,000	(770,000)	
363,619		363,619	20,215	383,834
<u>\$ 1,179,728</u>	<u>\$ 437</u>	<u>\$ 4,777,361</u>	<u>\$ (828,537)</u>	<u>\$ 3,948,824</u>
\$ (37,240)	\$ 25,392	\$ 176,878	\$ (176,878)	\$
			678,812	678,812
<u>2,681,870</u>	<u>2,576,851</u>	<u>8,736,869</u>	<u>8,475,298</u>	<u>17,212,167</u>
<u>\$ 2,644,630</u>	<u>\$ 2,602,243</u>	<u>\$ 8,913,747</u>	<u>\$ 8,977,232</u>	<u>\$ 17,890,979</u>

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

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$	176,878
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		11,712
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		751
Governmental funds report the repayment of capital contributions and chloramine conversion costs as revenues when received. However, in the Statement of Net Position, the principal portion of repayments reduce long-term receivables.		(40,673)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(628,638)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		408,997
Governmental funds report deferred charges on refunding bonds and bond discounts as deferred outflows of resources and other financing uses, respectively, in the year paid. However, in the Statement of Net Position, the deferred charges on refunding bonds and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(28,821)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		770,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		8,606
Change in Net Position - Governmental Activities	\$	<u>678,812</u>

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1. CREATION OF DISTRICT

Charterwood Municipal Utility District (the “District”) of Harris County, Texas, was created and organized by Order of the Texas Water Rights Commission, (predecessor agency to the Texas Commission on Environmental Quality) (the “Commission”) dated August 23, 1972, and operates pursuant to the terms and provisions of Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54 of the Texas Water Code, as amended, and was confirmed at an election held on January 5, 1974. The District provides water and sewer services to property owners within the boundaries of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

Special Revenue Fund - To account for financial resources collected and administered by the District for the operation of the joint wastewater treatment facilities.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of March 31, 2019, the General Fund owed the Debt Service Fund \$3,104 for overpayment of maintenance tax collections. The Special Revenue Fund owed the General Fund \$33,362 for operations funded by the General Fund in previous years.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$25,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Park Facilities	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts unappropriated budgets for the General Fund and Special Revenue Fund. The budgets were not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$325,500 of its General Fund fund balance to be used to cover its fiscal year 2020 budgeted deficit.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT

	Series 2010	Series 2010A	Refunding Series 2015
Amount Outstanding – March 31, 2019	\$ 2,220,000	\$ 2,330,000	\$ 7,190,000
Interest Rates	3.50% - 4.00%	3.00% - 4.00%	2.508%
Maturity Dates – Serially Beginning/Ending	May 1, 2019/2030	May 1, 2019/2030	May 1, 2019/2030
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2018*	May 1, 2018*	May 1, 2023*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2010A Park Bonds, the bonds maturing on May 1, 2022, 2024, 2026, 2028, and 2030, are term bonds and subject to mandatory redemption beginning May 1, 2021, 2023, 2025, 2027, and 2029, respectively.

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2019:

	April 1, 2018	Additions	Retirements	March 31, 2019
Bonds Payable	\$ 12,510,000	\$	\$ 770,000	\$ 11,740,000
Unamortized Discounts	(78,857)		(6,521)	(72,336)
Bonds Payable, Net	<u>\$ 12,431,143</u>	<u>\$ -0-</u>	<u>\$ 763,479</u>	<u>\$ 11,667,664</u>
		Amount Due Within One Year		\$ 800,000
		Amount Due After One Year		10,867,664
		Bonds Payable, Net		<u>\$ 11,667,664</u>

As of March 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 800,000	\$ 342,067	\$ 1,142,067
2021	830,000	319,195	1,149,195
2022	855,000	295,273	1,150,273
2023	890,000	269,874	1,159,874
2024	915,000	243,061	1,158,061
2025-2029	5,130,000	766,242	5,896,242
2030-2031	2,320,000	72,451	2,392,451
	<u>\$ 11,740,000</u>	<u>\$ 2,308,163</u>	<u>\$ 14,048,163</u>

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2019, the District had authorized but unissued bonds in the amount of \$12,330,000 for utility facilities, \$2,280,000 for park bonds and \$590,000 for refunding bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended March 31, 2019, the District levied an ad valorem debt service tax rate of \$0.27 per \$100 of assessed valuation, which resulted in a tax levy of \$1,129,461 on the adjusted taxable valuation of \$418,319,052 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$ 3,497,540 and the bank balance was \$3,616,408. The bank balance was covered by federal depository insurance and pledged collateral.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position for the year ended March 31, 2019, as listed below:

	Cash
GENERAL FUND	\$ 749,361
SPECIAL REVENUE FUND	29,428
DEBT SERVICE FUND	1,193,149
CAPITAL PROJECTS FUND	1,525,602
TOTAL DEPOSITS	\$ 3,497,540

Investments

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

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of March 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 3,008,700	\$ 3,008,700
<u>DEBT SERVICE FUND</u>		
TexPool	1,463,756	1,463,756
<u>CAPITAL PROJECTS FUND</u>		
TexPool	1,076,641	1,076,641
TOTAL INVESTMENTS	\$ 5,549,097	\$ 5,549,097

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2019, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the costs of operations of the joint wastewater treatment facilities. All cash and investments of the Debt Service Fund are restricted for the payment of debt and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019 is as follows:

	April 1, 2018	Increases	Decreases	March 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,119,938	\$	\$	\$ 2,119,938
Construction in Progress	310,523	119,027	262,942	166,608
Total Capital Assets Not Being Depreciated	\$ 2,430,461	\$ 119,027	\$ 262,942	\$ 2,286,546
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 1,586,086	\$	\$	\$ 1,586,086
Park Facilities	1,876,366			1,876,366
Water System	9,636,624			9,636,624
Wastewater System	12,662,562	552,912		13,215,474
Drainage System	1,175,689			1,175,689
Total Capital Assets Subject to Depreciation	\$ 26,937,327	\$ 552,912	\$ - 0 -	\$ 27,490,239
Accumulated Depreciation				
Building and Equipment	\$ 178,567	\$ 36,381	\$	\$ 214,948
Park Facilities	221,603	46,909		268,512
Water System	4,324,577	204,986		4,529,563
Wastewater System	4,700,510	309,949		5,010,459
Drainage System	264,067	30,413		294,480
Total Accumulated Depreciation	\$ 9,689,324	\$ 628,638	\$ - 0 -	\$ 10,317,962
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 17,248,003	\$ (75,726)	\$ - 0 -	\$ 17,172,277
Total Capital Assets, Net of Accumulated Depreciation	\$ 19,678,464	\$ 43,301	\$ 262,942	\$ 19,458,823

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 7. MAINTENANCE TAX

On September 16, 1995, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation. During the year ended March 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$627,479 on the adjusted taxable valuation of \$418,319,052 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and sanitary sewer system.

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. The fee as of March 31, 2019 was \$3.40 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$201,484 for pumpage fees during the current fiscal year. In addition, the District purchases surface water from the Authority at a rate of \$3.85 per 1,000 gallons of water delivered as of March 31, 2019. The District recorded expenditures of \$622,299 for purchased water.

Capital Contribution Credits

The District paid \$1,013,746 to the Authority for certain Authority construction projects. During the current fiscal year, the District received credits of \$73,879 including a return of principal of \$35,090. The capital contribution balance is \$747,792.

Fiscal Year	Principal	Interest	Total
2020	\$ 36,907	\$ 36,972	\$ 73,879
2021	38,817	35,062	73,879
2022	40,826	33,053	73,879
2023	42,940	30,939	73,879
2024	45,163	28,716	73,879
2025-2029	263,396	105,997	369,393
2030-2034	279,743	31,430	311,173
	<u>\$ 747,792</u>	<u>\$ 302,169</u>	<u>\$ 1,049,961</u>

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Chloramine Conversion

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority’s system. The District’s reimbursable conversion costs totaled \$289,528. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the August 2011 Authority billing. Total credits received in the current fiscal year were \$21,034. Of this amount, \$5,583 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2020	\$ 5,927	\$ 15,107	\$ 21,034
2021	6,293	14,741	21,034
2022	6,681	14,353	21,034
2023	7,093	13,941	21,034
2024	7,530	13,504	21,034
2025-2029	44,507	60,662	105,169
2030-2034	58,972	46,198	105,170
2035-2039	79,041	26,128	105,169
2040-2041	38,425	3,129	41,554
	\$ 254,469	\$ 207,763	\$ 462,232

NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 7, 2003, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. The District will continue to develop, own, operate and maintain a water, wastewater, and drainage system in the District.

The City imposes a sales and use tax within the boundaries of the Subject Tract. The sales and use tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract and delivers to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. During the year ended March 31, 2019, the District recorded revenues of \$ 442,035 from the City of Houston.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 10. RISK MANAGEMENT

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

NOTE 11. WASTEWATER TREATMENT FACILITIES AGREEMENT

On September 13, 2005, the District entered into an agreement with V & W Partners, Ltd., acting on behalf of Harris County Municipal Utility District No. 468 (“District No. 468”), to jointly treat and dispose of wastewater. The original 600,000 gpd plant was constructed by the District. The expansion to 1,650,000 gpd was completed under the oversight of the District with the District allocated 200,000 gpd and District No. 468 allocated 850,000 gpd. This resulted in ownership of 48.48% allocated to the District and 51.52% allocated to District No. 468. The District operates and holds legal title to the facilities. Fixed costs are allocated based on capacity and variable costs are allocated based on monthly connections of each participant.

NOTE 12. ESCROW REQUIREMENT

By order dated July 5, 2010, the District was required to escrow \$788,884 of Series 2010 Bonds proceeds. On June 17, 2015, the Commission approved the release from escrow of \$378,425, to be used for District meeting building site improvements and site acquisition. As of March 31, 2019, \$410,459 remains in escrow.

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CHARTERWOOD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2019

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 600,000	\$ 611,422	\$ 11,422
Water Service	530,000	457,189	(72,811)
Wastewater Service	600,000	583,853	(16,147)
Water Authority Fees	940,000	826,145	(113,855)
Penalty and Interest	24,000	20,036	(3,964)
Tap Connection and Inspection Fees	45,000	56,950	11,950
Water Authority Credits	21,000	94,913	73,913
Sales Tax Revenues	440,000	442,035	2,035
Miscellaneous Revenues	52,000	118,200	66,200
TOTAL REVENUES	<u>\$ 3,252,000</u>	<u>\$ 3,210,743</u>	<u>\$ (41,257)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 228,500	\$ 295,979	\$ (67,479)
Contracted Services	556,000	537,500	18,500
Purchased Water Service/Pumpage Fees	940,000	823,783	116,217
Purchased Wastewater Service	340,000	298,393	41,607
Utilities	58,400	46,819	11,581
Repairs and Maintenance	345,000	333,181	11,819
Other	258,000	277,365	(19,365)
Capital Outlay	725,000	408,997	316,003
TOTAL EXPENDITURES	<u>\$ 3,450,900</u>	<u>\$ 3,022,017</u>	<u>\$ 428,883</u>
NET CHANGE IN FUND BALANCE	\$ (198,900)	\$ 188,726	\$ 387,626
FUND BALANCE - APRIL 1, 2018	<u>3,478,148</u>	<u>3,478,148</u>	<u> </u>
FUND BALANCE - MARCH 31, 2019	<u>\$ 3,279,248</u>	<u>\$ 3,666,874</u>	<u>\$ 387,626</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$ 696,500	\$ 575,113	\$ (121,387)
Miscellaneous Revenues	<u> </u>	<u> 66</u>	<u> 66</u>
TOTAL REVENUES	<u>\$ 696,500</u>	<u>\$ 575,179</u>	<u>\$ (121,321)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 14,500	\$ 24,976	\$ (10,476)
Contracted Services	8,000	6,159	1,841
Utilities	161,000	128,857	32,143
Repairs and Maintenance	152,000	124,118	27,882
Other	<u>361,000</u>	<u>291,069</u>	<u>69,931</u>
TOTAL EXPENDITURES	<u>\$ 696,500</u>	<u>\$ 575,179</u>	<u>\$ 121,321</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - APRIL 1, 2018	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MARCH 31, 2019	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2019

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved December 18, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 11.00	5,000	N	\$ 1.25 \$ 1.50 \$ 1.75	5,001 to 10,000 10,001 to 20,000 20,001 and up
WASTEWATER:	\$ 27.05	10,000	N	\$ 1.50	10,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	(Included in Rates Above)				
Regional Water Authority Fees	Surface Water Fee plus 7%		N		

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

Total monthly charges per 10,000 gallons usage: Water: \$17.25 Wastewater: \$27.05 Surcharge: \$ 41.20

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>1</u>	<u>1</u>	x 1.0	<u>1</u>
≤ ³ / ₄ "	<u>1,238</u>	<u>1,227</u>	x 1.0	<u>1,227</u>
1"	<u>62</u>	<u>61</u>	x 2.5	<u>153</u>
1½"	<u>53</u>	<u>53</u>	x 5.0	<u>265</u>
2"	<u>31</u>	<u>30</u>	x 8.0	<u>240</u>
3"			x 15.0	
4"	<u>6</u>	<u>6</u>	x 25.0	<u>150</u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"			x 80.0	
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u><u>1,395</u></u>	<u><u>1,382</u></u>		<u><u>2,301</u></u>
Total Wastewater Connections	<u><u>1,342</u></u>	<u><u>1,330</u></u>	x 1.0	<u><u>1,330</u></u>

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

Gallons pumped into system:	59,260,000	Water Accountability Ratio: 95.0% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	204,789,000	
Gallons purchased:	156,368,000	From: <u>North Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2019**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	175,230
Legal	103,499
TOTAL PROFESSIONAL FEES	<u>\$ 295,979</u>
PURCHASED SERVICES FOR RESALE -	
Purchased Wastewater Service	<u>\$ 298,393</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 21,755
Operations and Billing	134,817
TOTAL CONTRACTED SERVICES	<u>\$ 156,572</u>
UTILITIES:	
Electricity	\$ 41,825
Telephone	4,994
TOTAL UTILITIES	<u>\$ 46,819</u>
REPAIRS AND MAINTENANCE	<u>\$ 333,181</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 16,350
Building Expenses	111,963
Insurance	27,715
Office Supplies and Postage	14,823
Payroll Taxes	2,896
Travel and Meetings	1,321
Other	23,009
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 198,077</u>
CAPITAL OUTLAY	<u>\$ 408,997</u>
TAP CONNECTIONS	<u>\$ 12,850</u>
SOLID WASTE DISPOSAL	<u>\$ 220,983</u>
SECURITY	<u>\$ 159,945</u>
OTHER EXPENDITURES:	
Chemicals	\$ 21,658
Laboratory Fees	14,840
Permit Fees	4,904
Inspection Fees	19,801
Purchased Water/Pumpage Fees	823,783
Regulatory Assessment	5,235
TOTAL OTHER EXPENDITURES	<u>\$ 890,221</u>
TOTAL EXPENDITURES	<u><u>\$ 3,022,017</u></u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,483,141	\$
TexPool	XXXX0006	Varies	Daily	<u>525,559</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 3,008,700</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 1,463,756</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	<u>\$ 1,076,641</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 5,549,097</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2018	\$	18,900	\$	42,283
Adjustments to Beginning				
Balance		<u>(7,323)</u>	\$	11,577
			<u>(13,424)</u>	\$
				28,859
Original 2018 Tax Levy	\$	573,739	\$	1,032,729
Adjustment to 2018 Tax Levy		<u>53,740</u>	<u>627,479</u>	<u>96,732</u>
				<u>1,129,461</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	639,056	\$
				1,158,320
TAX COLLECTIONS:				
Prior Years	\$	2,435	\$	5,703
Current Year		<u>612,980</u>	<u>615,415</u>	<u>1,103,363</u>
				<u>1,109,066</u>
TAXES RECEIVABLE -				
MARCH 31, 2019		<u>\$</u>	<u>23,641</u>	<u>\$</u>
				<u>49,254</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$	14,499	\$
2017			2,438	26,098
2016			1,618	4,389
2015			1,180	2,913
2014			1,026	2,282
2013			663	2,666
2012			421	1,944
2011			113	1,376
2010			122	368
2009 and prior			<u>1,561</u>	<u>397</u>
				<u>6,821</u>
TOTAL		<u>\$</u>	<u>23,641</u>	<u>\$</u>
				<u>49,254</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 92,308,392	\$ 87,506,742	\$ 82,017,245	\$ 81,472,141
Improvements	317,316,351	325,966,558	311,130,554	291,154,829
Personal Property	26,786,260	18,707,218	22,037,777	21,799,028
Exemptions	<u>(18,091,951)</u>	<u>(18,767,675)</u>	<u>(16,209,668)</u>	<u>(17,393,620)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 418,319,052</u></u>	<u><u>\$ 413,412,843</u></u>	<u><u>\$ 398,975,908</u></u>	<u><u>\$ 377,032,378</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.29
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.42</u></u>	<u><u>\$ 0.42</u></u>	<u><u>\$ 0.42</u></u>	<u><u>\$ 0.44</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 1,756,940</u></u>	<u><u>\$ 1,736,334</u></u>	<u><u>\$ 1,675,699</u></u>	<u><u>\$ 1,658,943</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u><u>97.69 %</u></u>	<u><u>99.61 %</u></u>	<u><u>99.73 %</u></u>	<u><u>99.79 %</u></u>

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

Maintenance Tax – Maximum tax rate of \$0.15 per \$100 of assessed valuation approved by voters on September 16, 1995.

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019**

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2020	\$ 160,000	\$ 83,550	\$ 243,550
2021	165,000	77,862	242,862
2022	165,000	72,088	237,088
2023	170,000	65,800	235,800
2024	175,000	58,900	233,900
2025	185,000	51,700	236,700
2026	190,000	44,200	234,200
2027	195,000	36,500	231,500
2028	195,000	28,700	223,700
2029	200,000	20,800	220,800
2030	210,000	12,600	222,600
2031	210,000	4,200	214,200
	\$ 2,220,000	\$ 556,900	\$ 2,776,900

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019**

S E R I E S - 2 0 1 0 A			
Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2020	\$ 145,000	\$ 84,399	\$ 229,399
2021	150,000	79,880	229,880
2022	160,000	74,837	234,837
2023	170,000	69,269	239,269
2024	175,000	63,338	238,338
2025	185,000	57,038	242,038
2026	195,000	49,900	244,900
2027	205,000	41,900	246,900
2028	220,000	33,400	253,400
2029	230,000	24,400	254,400
2030	240,000	15,000	255,000
2031	255,000	5,100	260,100
	\$ 2,330,000	\$ 598,461	\$ 2,928,461

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2020	\$ 495,000	\$ 174,118	\$ 669,118
2021	515,000	161,453	676,453
2022	530,000	148,348	678,348
2023	550,000	134,805	684,805
2024	565,000	120,823	685,823
2025	585,000	106,402	691,402
2026	605,000	91,479	696,479
2027	625,000	76,055	701,055
2028	645,000	60,129	705,129
2029	670,000	43,639	713,639
2030	690,000	26,585	716,585
2031	715,000	8,966	723,966
	<u>\$ 7,190,000</u>	<u>\$ 1,152,802</u>	<u>\$ 8,342,802</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2019**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 800,000	\$ 342,067	\$ 1,142,067
2021	830,000	319,195	1,149,195
2022	855,000	295,273	1,150,273
2023	890,000	269,874	1,159,874
2024	915,000	243,061	1,158,061
2025	955,000	215,140	1,170,140
2026	990,000	185,579	1,175,579
2027	1,025,000	154,455	1,179,455
2028	1,060,000	122,229	1,182,229
2029	1,100,000	88,839	1,188,839
2030	1,140,000	54,185	1,194,185
2031	1,180,000	18,266	1,198,266
	<u>\$ 11,740,000</u>	<u>\$ 2,308,163</u>	<u>\$ 14,048,163</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2018
Charterwood Municipal Utility District Unlimited Tax Bonds - Series 2010	\$ 2,670,000	\$ 2,375,000
Charterwood Municipal Utility District Unlimited Tax Park Bonds - Series 2010A	2,720,000	2,465,000
Charterwood Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	<u>8,195,000</u>	<u>7,670,000</u>
TOTAL	<u><u>\$ 13,585,000</u></u>	<u><u>\$ 12,510,000</u></u>

Bond Authority:	<u>Park Bonds</u>	<u>Utility Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 5,000,000	\$ 29,285,000	\$ 8,030,000
Amount Issued	<u>2,720,000</u>	<u>16,955,000</u>	<u>7,440,000</u>
Remaining to be Issued	<u><u>\$ 2,280,000</u></u>	<u><u>\$ 12,330,000</u></u>	<u><u>\$ 590,000</u></u>

Debt Service Fund cash and investment balances as of March 31, 2019: \$ 2,656,905

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,170,680

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 155,000	\$ 88,675	\$ 2,220,000	Wells Fargo Bank Houston, TX
	135,000	88,600	2,330,000	Wells Fargo Bank Houston, TX
	<u>480,000</u>	<u>186,344</u>	<u>7,190,000</u>	Regions Bank Birmingham, AL
<u>\$ - 0 -</u>	<u>\$ 770,000</u>	<u>\$ 363,619</u>	<u>\$ 11,740,000</u>	

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 611,422	\$ 613,181	\$ 591,396
Water Service	457,189	514,762	451,764
Wastewater Service	583,853	595,938	576,543
Water Authority Fees	826,145	821,376	629,190
Penalty and Interest	20,036	23,756	25,646
Tap Connection and Inspection Fees	56,950	49,845	52,370
Water Authority Credits	94,913	94,913	94,913
Sales Tax Revenues	442,035	454,617	413,159
Miscellaneous Revenues	118,200	72,405	55,413
TOTAL REVENUES	\$ 3,210,743	\$ 3,240,793	\$ 2,890,394
EXPENDITURES			
Professional Fees	\$ 295,979	\$ 166,913	\$ 139,382
Contracted Services	537,500	537,083	534,699
Purchased Wastewater Service	298,393	357,476	361,887
Utilities	46,819	51,480	42,043
Repairs and Maintenance	333,181	313,473	277,953
Purchased Water/Pumpage Fees	823,783	790,609	639,218
Other	277,365	234,985	236,348
Capital Outlay	408,997	774,100	355,025
TOTAL EXPENDITURES	\$ 3,022,017	\$ 3,226,119	\$ 2,586,555
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 188,726	\$ 14,674	\$ 303,839
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 188,726	\$ 14,674	\$ 303,839
BEGINNING FUND BALANCE	3,478,148	3,463,474	3,159,635
ENDING FUND BALANCE	\$ 3,666,874	\$ 3,478,148	\$ 3,463,474

See accompanying independent auditor's report.

		Percentage of Total Revenues							
2016	2015	2019	2018	2017	2016	2015			
\$ 558,957	\$ 508,153	19.0 %	19.0 %	20.5 %	19.5 %	19.5 %			
450,877	420,216	14.2	16.0	15.6	15.8	16.1			
579,986	561,449	18.2	18.4	19.9	20.3	21.5			
538,121	502,406	25.7	25.3	21.8	18.8	19.2			
22,431	22,380	0.6	0.7	0.9	0.8	0.9			
165,675	55,285	1.8	1.5	1.8	5.8	2.1			
94,913	93,561	3.0	2.9	3.3	3.3	3.6			
407,588	410,487	13.8	14.0	14.3	14.2	15.7			
41,808	37,781	3.7	2.2	1.9	1.5	1.4			
<u>\$ 2,860,356</u>	<u>\$ 2,611,718</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>			
\$ 171,882	\$ 247,738	9.2 %	5.2 %	4.8 %	6.0 %	9.5 %			
526,120	521,804	16.7	16.5	18.4	18.4	20.0			
347,306	287,306	9.3	11.0	12.5	12.1	11.0			
42,664	42,611	1.5	1.6	1.5	1.5	1.6			
341,637	359,756	10.4	9.7	9.6	11.9	13.8			
520,144	478,788	25.7	24.4	22.1	18.2	18.3			
350,265	282,460	8.6	7.3	8.2	12.2	10.8			
1,022,445	410,230	12.7	23.9	12.3	35.7	15.7			
<u>\$ 3,322,463</u>	<u>\$ 2,630,693</u>	<u>94.1 %</u>	<u>99.6 %</u>	<u>89.4 %</u>	<u>116.0 %</u>	<u>100.7 %</u>			
\$ (462,107)	\$ (18,975)	<u>5.9 %</u>	<u>0.4 %</u>	<u>10.6 %</u>	<u>(16.0) %</u>	<u>(0.7) %</u>			
\$ 270,113	\$ (238,929)								
\$ (191,994)	\$ (257,904)								
<u>3,351,629</u>	<u>3,609,533</u>								
<u>\$ 3,159,635</u>	<u>\$ 3,351,629</u>								

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,101,880	\$ 1,104,400	\$ 1,066,744
Penalty and Interest	13,203	11,562	14,567
Miscellaneous Revenues	<u>27,405</u>	<u>22,040</u>	<u>14,781</u>
TOTAL REVENUES	<u>\$ 1,142,488</u>	<u>\$ 1,138,002</u>	<u>\$ 1,096,092</u>
EXPENDITURES			
Other Expenditures	\$ 45,109	\$ 38,429	\$ 48,935
Debt Service Principal	770,000	745,000	715,000
Debt Service Interest and Fees	364,619	385,020	407,690
Bond Issuance Costs	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 1,179,728</u>	<u>\$ 1,168,449</u>	<u>\$ 1,171,625</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ (37,240)</u>	<u>\$ (30,447)</u>	<u>\$ (75,533)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Refunding Bonds	\$	\$	\$
Transfer to Refunded Bond Escrow Agent	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (37,240)	\$ (30,447)	\$ (75,533)
BEGINNING FUND BALANCE	<u>2,681,870</u>	<u>2,712,317</u>	<u>2,787,850</u>
ENDING FUND BALANCE	<u>\$ 2,644,630</u>	<u>\$ 2,681,870</u>	<u>\$ 2,712,317</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,382</u>	<u>1,377</u>	<u>1,375</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,330</u>	<u>1,326</u>	<u>1,318</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,083,101	\$ 1,324,104	96.4 %	97.1 %	97.4 %	98.7 %	98.7 %
10,957	14,461	1.2	1.0	1.3	1.0	1.1
2,967	3,334	2.4	1.9	1.3	0.3	0.2
<u>\$ 1,097,025</u>	<u>\$ 1,341,899</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 41,296	\$ 40,452	3.9 %	3.4 %	4.5 %	3.8 %	3.0 %
875,000	840,000	67.4	65.5	65.3	79.8	62.6
353,133	603,272	31.9	33.8	37.2	32.2	45.0
190,074					17.3	
<u>\$ 1,459,503</u>	<u>\$ 1,483,724</u>	<u>103.2 %</u>	<u>102.7 %</u>	<u>107.0 %</u>	<u>133.1 %</u>	<u>110.6 %</u>
<u>\$ (362,478)</u>	<u>\$ (141,825)</u>	<u>(3.2) %</u>	<u>(2.7) %</u>	<u>(7.0) %</u>	<u>(33.1) %</u>	<u>(10.6) %</u>
\$ 8,195,000	\$					
<u>(8,148,368)</u>						
<u>\$ 46,632</u>	<u>\$ - 0 -</u>					
\$ (315,846)	\$ (141,825)					
<u>3,103,696</u>	<u>3,245,521</u>					
<u>\$ 2,787,850</u>	<u>\$ 3,103,696</u>					
<u>1,376</u>	<u>1,355</u>					
<u>1,322</u>	<u>1,318</u>					

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2019**

District Mailing Address - Charterwood Municipal Utility District
Coats Rose, P. C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2019	Expense Reimbursements for the year ended March 31, 2019	Title
Jean Aldredge	05/17 05/21 (Elected)	\$ 2,550	\$ -0-	President
Tommy Kelley	05/19 05/23 (Elected)	\$ 2,400	\$ -0-	Vice President/ Treasurer
Grace Jackson	05/17 05/21 (Elected)	\$ 5,100	\$ 96	Secretary
Tom Thomson	05/19 05/23 (Elected)	\$ 3,600	\$ 28	Assistant Secretary
Mark Shultz	05/17 05/21 (Elected)	\$ 2,700	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 22, 2019.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on October 1, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2019**

Consultants:	<u>Date Hired</u>	<u>District Fees for the year ended March 31, 2019</u>	<u>Joint Facilities Fees for the year ended March 31, 2019</u>	<u>Title</u>
Coats Rose, P. C.	06/01/88	\$ 103,499 \$ 1,689	\$ -0- \$ -0-	General Counsel Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	03/24/15	\$ 14,250 \$ 3,000	\$ 3,000	Auditor Reimbursement Related
District Data Services	04/18/95	\$ 21,755	\$ 6,159	Bookkeeper
Bleyl Engineering	9/26/17	\$ 218,768	\$ 21,976	Engineer
Robert W. Baird & Co.	01/23/15	\$ -0-	\$ -0-	Financial Advisor
Municipal District Services L.L.C.	10/30/07	\$ 374,408	\$ 93,985	Operator
Bob Leared Interests	12/14/76	\$ 18,549	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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