OFFICIAL STATEMENT DATED OCTOBER 17, 2019

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

*The Bonds are **not** "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (BAM Insured) . . . . "AA" (stable outlook)
Moody's Investors Service, Inc. (Underlying)..... "A3"
See "BOND INSURANCE" and "RATINGS" herein

$7,050,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2019

Dated: November 1, 2019 **Due: September 1, as shown below**

Principal on the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from November 1, 2019, and is payable on September 1, 2020 (ten-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer").

BAM

MATURITY SCHEDULE
CUSIP Prefix (a): 41419R

$1,500,000 Serial Bonds

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)	Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
$100,000	2022	2.00%	1.30%	UD9	100,000	2030(c)	2.000%	2.25%	UM9
100,000	2023	2.00	1.40	UE7	100,000	2031(c)	2.125	2.35	UN7
100,000	2024	2.00	1.50	UF4	100,000	2032(c)	2.250	2.45	UP2
100,000	2025(c)	2.00	1.65	UG2	100,000	2033(c)	2.375	2.55	UQ0
100,000	2026(c)	2.00	1.80	UH0	100,000	2034(c)	2.375	2.60	UR8
100,000	2027(c)	2.00	1.95	UJ6	100,000	2035(c)	2.500	2.65	US6
100,000	2028(c)	2.00	2.05	UK3	100,000	2036(c)	2.500	2.70	UT4
100,000	2029(c)	2.00	2.15	UL1					

$200,000 Term Bonds, Due September 1, 2038 (c)(d), CUSIP Suffix UV9 (a), Interest Rate 2.75% (Yield 2.80%)(b)
$1,775,000 Term Bonds, Due September 1, 2040 (c)(d), CUSIP Suffix UX5 (a), Interest Rate 2.75% (Yield 2.90%)(b)
$3,575,000 Term Bonds, Due September 1, 2042 (c)(d), CUSIP Suffix UZ0 (a), Interest Rate 3.00% (Yield 3.00%)(b)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (defined herein), the Financial Advisor (defined herein), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
(b) 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 to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed. Accrued interest is to be added to the price.
(c) The Bonds, including the Term Bonds, maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 368 (the "District"), as a whole or in part, on September 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the twenty-fourth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District and for refunding such bonds. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of $95,000,000 principal amount of bonds for the purpose of acquiring and constructing the System and for refunding bonds issued pursuant to such authorization. After issuance of the Bonds, there will be $18,660,000 bonds authorized but unissued for waterworks, wastewater and drainage facilities, and refunding bonds in an amount not to exceed one and one-half (1.5) times the amount of bonds outstanding at any given time. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Johnson Petrov LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form is expected on or about November 14, 2019.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

Neither the District nor the Underwriter (hereinafter defined) makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of 97.530869% of the principal amount thereof plus accrued interest to the date of delivery of the Bonds to the Initial Purchaser, which resulted in a net effective interest rate of 2.968175%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Price and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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 respecting 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 price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET 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 United States Securities and Exchange Commission 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.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281; its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $525 million, $114 million and $411 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insights videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

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 Policy for such payments.

In the event the 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 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 Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “BOND INSURANCE” and “RATINGS” herein. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” the rating of the Insurer’s creditworthiness by any rating agency does not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's Investors Service, Inc. ("Moody's") is "A3".

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody's. The foregoing ratings express only the view of S&P and Moody's 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 the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody's, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody's.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 368 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Issue	Harris County Municipal Utility District No. 368 Unlimited Tax Bonds, Series 2019, in the aggregate principal amount of $7,050,000. $1,500,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2022 through 2036, both inclusive, in the respective principal amounts set forth on the cover page of this Official Statement. $5,550,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2038, 2040 and 2042, in the respective principal amounts set forth on the cover page of this Official Statement (collectively, the "Term Bonds"). Interest accrues from November 1, 2019, and is payable on September 1, 2020 (ten-month interest payment), and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds, including the Term Bonds, maturing on and after September 1, 2025, are subject to early redemption, at the option of the District, in whole or in part, on September 1, 2024, or on any date thereafter at a price equal to the principal amount thereof plus accrued interest. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption "THE BONDS - Redemption Provisions." See "THE BONDS."
Book-Entry Only	The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent (defined herein) to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located 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."

Principal Use of Proceeds	Proceeds of the sale of the Bonds will be used to, among other items, (i) finance the District's cost of the acquisition or construction of water distribution, wastewater collection, and storm drainage facilities to serve the 44 fully developed single-family residential lots located in Ashford Grove East, Section 2; wastewater treatment plant improvements; drainage improvements to serve Northern Point subdivision; Water Plant Nos. 1 and 2 improvements; detention facilities improvements; facilities radio communication; and land acquisition costs; (ii) pay engineering costs associated with the design and construction of such facilities; (iii) pay for contingencies arising during the construction period; (iv) pay interest on funds advanced on the District's behalf by a developer of land located within the District; and (v) pay issuance costs, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Outstanding Bonds and Payment Record . .	The Bonds constitute the twenty-fourth series of unlimited tax bonds issued by the District for the purpose of financing the acquisition and construction of a water supply and distribution, wastewater collection and treatment and storm drainage system (the "System") to serve the District and for refunding such bonds. The District has previously issued Unlimited Tax Bonds, Series 1982 (the "Series 1982 Bonds"); Unlimited Tax Bonds, Series 1986 (the "Series 1986 Bonds"), Unlimited Tax Bonds, Series 2000 (the "Series 2000 Bonds"), Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), Unlimited Tax Bonds, Series 2002 (the "Series 2002 Bonds"), Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"),Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds") and Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds") to finance the acquisition and construction of components of the District's System; and Unlimited Tax Refunding Bonds, Series 1997 (the "Series 1997 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2006 (the "Series 2006 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013A (the "Series 2013A Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015A (the "Series 2015A Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds"), the proceeds of which were used to refund certain then outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds that have been issued by the District as the "Prior

Bonds." The District has timely made all payments of principal of and interest on the Prior Bonds when due. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District is $51,090,000 (the "Outstanding Bonds"). Following the issuance of the Bonds, the total of the District's direct bonded indebtedness outstanding, consisting of the Outstanding Bonds not previously paid by the District, and the Bonds, will be $58,140,000. See "THE BONDS - Outstanding Bonds and Payment Record."

Authorized But Unissued Bonds . . . . After issuance of the Bonds, there will be $18,660,000 in bonds authorized but unissued for waterworks, wastewater and drainage facilities. According to the District's Engineer, the $18,660,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities will be sufficient to finance the extension of the System to serve all of the undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Municipal Bond Insurance . . . . Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE."

Municipal Bond Ratings . . . . S&P Global Ratings (BAM insured) "AA" (stable outlook). Moody's Investors Service, Inc. (underlying) "A3". See "BOND INSURANCE" and "RATINGS."

Not Qualified Tax-Exempt Obligations . . . The Bonds are **not** "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

Legal and Tax Opinions . . . . Johnson Petrov LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS."

Consulting Engineer . . . . IDS Engineering Group, Houston, Texas.

Financial Advisor . . . . Rathmann & Associates, L.P., Houston, Texas.

Disclosure Counsel . . . . McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Registrar . . . . The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THE DISTRICT

Description . . . . Harris County Municipal Utility District No. 368, a political subdivision of the State of Texas, was created by the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) (the "TCEQ" or the "Commission") on December 13, 1973. The District was originally created and operated under the name Three Lakes Municipal Utility District No. 1. On October 17, 1997, the TCEQ, upon petition of the District, approved the change of the District's name to Harris County Municipal Utility District No. 368. Such change in name in no way affects any outstanding, current or future obligations of the District. The District contains approximately 1,088.605 acres of land. The District is located approximately twenty-four miles northwest of the central business district of Houston, Texas, in the northwestern portion of Harris County, Texas. The District is bounded on the west by SH 249. The District is located entirely within the extraterritorial jurisdiction of the City of Houston. See "THE DISTRICT - Description" and "APPENDIX A - LOCATION MAP."

Authority . . . . The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - Authority."

Development of the District . . . . As of September 15, 2019, the District contained (i) 3,842 homes that have been constructed on the 3,844 single-family residential lots that have been developed within the District, all of which homes have been sold to home purchasers, and (ii) approximately 43.28 acres of reserves. Above-ground improvements have been constructed on approximately 26.39 acres of such reserves as follows: a Houston Garden Center facility (3.49 acres), a shopping center (1.66 acres), a gasoline/convenience store (0.37 acres), the Graceview Baptist Church (15.28 acres), the Three Lakes Subdivision Community Center (2.18 acres), the Three Lakes East Community Center (1.58 acres) and the Northpointe East Community Center (1.83 acres). In addition, (i) a Walgreens Drug Store, a child care center and a Adriatic Café Italian Grill restaurant have been constructed on an approximately 4.11 acre tract of land located within the District; (ii) Parkway Chevrolet has constructed an automobile dealership on approximately 15.8 acres of an approximately 29.8 acre tract located within the District, on an additional 3.8 acre portion of which a retail shopping center has been constructed; (iii) a 19-screen movie theatre, a Bahama Bucks, a Texas Roadhouse restaurant and a Bombshells restaurant have been constructed on approximately 17.0 acres of an approximately 24 acre tract of land located within the District; (iv) the Fred Haas Nissan automobile dealership has been constructed on approximately 15 acres of an approximately 33 acre tract located within the District; (v) a Valero corner store has been constructed on approximately 3.0 acres located within the District; and (vi) a Texaco Tomball corner store has been constructed on approximately 1.0 acre located within the District; and the Northpointe business park is currently under construction on approximately 4.0 acres located within the District, with completion expected in approximately December, 2019.

The aforementioned development includes the completion of the development of 3,844 single-family residential lots on approximately 839.54 acres located within the District. Such fully developed lots have been platted as Three Lakes, Section 1, Three Lakes East, Sections 1 through 4, Pinecrest Forest, Sections 1 through 12, Northpointe East, Sections 1 through 4, Willow Falls, Sections 1 through 5, Stonepine, Sections 1 and 2, Northern Point, Sections 1 through 5, Ashford Place, Sections 1 through 4, Ashford Grove, Sections 1 through 4, and Ashford Grove East, Sections 1 and 2. Such development is enumerated in the chart that appears in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." The District financed the cost of acquiring and constructing components of the System to serve Pinecrest Forest, Sections 1 through 12, Three Lakes, Section 1, Three Lakes East, Sections 1 through 4, Northpointe East, Sections 1 through 4, Willow Falls, Sections 1 through 5, Stonepine, Sections 1 and 2, Northern Point, Sections 1 through 5, Ashford Place, Sections 1 through 4, Ashford Grove, Sections 1 through 4, Ashford Grove East, Section 1, and the Dungrove Tract, plus approximately 29.07 of the aforementioned approximately 43.28 acres of reserves, and other facilities, with the proceeds of the sale of the Prior Bonds. The District is financing the cost of acquiring and constructing components of the System to serve Ashford Grove East, Section 2, and other facilities, with the proceeds of the sale of the Bonds. In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," and - "Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM - Description."

There are approximately 32.83 currently undeveloped acres of land located within the District which are available for future development that are expected to be developed predominantly for future commercial usage. Such approximately 32.83 acres of currently undeveloped land are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Therefore, since no owner of any of the currently undeveloped land located within the District is under any obligation to the District to develop any of such land for any particular purpose, according to any timetable, or at all, the District cannot represent that development of any of such acres will be undertaken.

The balance of the land that is located within the District is contained within outfall drainage channel or certain road rights-of-way, detention pond or District water plant or wastewater treatment plant sites, or is otherwise not available for future development, including acres that are located within the aforementioned platted subdivisions, commercial areas of the District upon which commercial above-ground improvements have been constructed, and the aforementioned currently undeveloped land located within the District. See "FUTURE DEVELOPMENT," "INVESTMENT CONSIDERATIONS," and "THE SYSTEM."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2019 Assessed Valuation (As of January 1, 2019) See "TAX DATA" and "TAXING PROCEDURES."	$781,701,510(a)
Estimated Valuation at June 1, 2019 (As of June 1, 2019) See "TAX DATA" and "TAXING PROCEDURES"	$791,278,522(b)
Direct Debt:	
Outstanding Bonds	$ 51,090,000
The Bonds	7,050,000
Total	$ 58,140,000(c)
Estimated Overlapping Debt	$ 46,441,170
Total Direct and Estimated Overlapping Debt	$ 104,581,170(c)
Direct Debt Ratios:	
: as a percentage of 2019 Assessed Valuation	7.44%
: as a percentage of Estimated Valuation at June 1, 2019	7.35%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2019 Assessed Valuation	13.38%
: as a percentage of Estimated Valuation at June 1, 2019	13.22%
Debt Service Fund Balance As of September 26, 2019	$ 3,863,918(d)
General Fund Balance As of September 26, 2019	$ 4,915,121
2019 Tax Rate per $100 of Assessed Valuation	
Debt Service Tax	$0.53
Maintenance Tax	0.15
Total	$0.68(e)
Average Percentage of Total Tax Collections (2008-2017 Levies) As of August 31, 2019.	99.93%
Percentage of Tax Collections 2018 Levy as of August 31, 2019 In process of collection.	99.43%
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2020-2034)	$ 4,140,893
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2034)	$ 4,267,001
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2020-2034) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	$0.56
Based Upon Estimated Valuation at June 1, 2019	$0.56

Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2034) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	$0.58
Based Upon Estimated Valuation at June 1, 2019	$0.57
Number of Single-Family Homes Within the District as of September 15, 2019	3,842

Completed Commercial Improvements Located Within the District

- Parkway Chevrolet Automobile Dealership
- Fred Haas Nissan Automobile Dealership
- 19-Screen Movie Theatre
- Bahama Bucks
- Texas Roadhouse Restaurant
- Bombshells Restaurant
- Houston Garden Center
- 2 Strip Shopping Centers
- 3 Gasoline/Convenience Stores
- Walgreens Drug Store
- Childcare Center
- Adriatic Café Italian Grill

Commercial Improvements Currently Under Construction Located Within the District

- Northpointe Business Park - Completion Expected in Approximately December, 2019

(a) As of January 1, 2019. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of taxable valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is $79,197,113, which total is included in the amount of $781,701,510. The Appraisal District has proposed the valuation of such protested properties to be $81,763,430. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $17,867,864, which total is also included in the amount of $781,701,510. The District is unable to predict the amount of the District's final 2019 Assessed Valuation. Such final 2019 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2019. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2019, and includes an estimate of values resulting from the development and construction of taxable improvements from January 1, 2019, through May 31, 2019. No tax was levied for 2019 on the increased valuation of such improvements constructed subsequent to January 1, 2019, since the District's tax is levied annually on the valuation of property as of January 1. The valuation of such additional improvements constructed from January 1, 2019, through May 31, 2019, which will be included in the District's 2020 tax roll, may vary significantly from this estimate when the Appraisal Review Board certifies the value of District property for 2020. See "TAXING PROCEDURES."

(c) See "DISTRICT DEBT." In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," - "Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM - Description."

(d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such balance gives effect to the timely payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due for 2019. The District's initial debt service payment on the Bonds, which consists of a ten-month interest payment thereon, is due on September 1, 2020.

(e) The District has levied a total tax of $0.68 per $100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District and the District's 2019 tax levy is $2.93860 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates affecting municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
UNLIMITED TAX BONDS
SERIES 2019

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 368 (the “District”) of its $7,050,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof to the District's Bond Counsel, Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order (the “Bond Order”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Order may be obtained from the District upon written request made to the District's Bond Counsel, Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019.

The Bonds are dated and accrue interest from November 1, 2019, with interest payable on September 1, 2020 (ten-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. $1,500,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2022 through 2036, both inclusive, in the respective principal amounts set forth on the cover page of this Official Statement. $5,550,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2038, 2040 and 2042, in the respective principal amounts set forth on the cover page of this Official Statement (collectively, the “Term Bonds”). The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System” herein.

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Method of Payment of Principal and Interest

The principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owners"), initially Cede & Co., without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of the Bonds as they respectively become due and payable, at the designated corporate trust office of The Bank of New York Trust Company, N.A., in Dallas, Texas, as the initial paying agent and registrar for the Bonds (together with any successors, the "Registrar," "Paying Agent" or "Paying Agent/Registar"). In the event the book-entry-system is discontinued, interest on each Bond will be payable by check payable on each Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the 15th calendar date of the month immediately preceding each Interest Payment Date (each a "Record Date"), to the address of such Registered Owner as shown on the Register or by such other customary banking arrangements as may be agreed upon by the Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "Book-Entry-Only System" above for a description of the system to be utilized initially in regard to the ownership and tranferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accomplished by a written instrument of transfer, in form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption Provisions

Optional Redemption

The Bonds, including the Term Bonds, that mature on and after September 1, 2025, shall be subject to redemption and payment prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption. Notice of any optional redemption is required to be mailed by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to each of the Registered Owners of the Bonds to be redeemed in whole or in part at the address shown on the bond register.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of $5,000 or any integral multiple thereof within any one maturity and if fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). In the event the book-entry-only system is discontinued, the registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Term Bonds are subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years and in the amounts set forth below, subject to reduction, at the option of the District, by the amount of any prior optional redemption or cancellation, at a redemption price of par plus accrued interest to the date of redemption:

$200,000 Term Bonds Maturing on September 1, 2038

Mandatory Redemption Dates	Principal Amount
September 1, 2037	$100,000
September 1, 2038 (maturity)	100,000

$1,775,000 Term Bonds Maturing on September 1, 2040

Mandatory Redemption Dates	Principal Amount
September 1, 2039	$ 100,000
September 1, 2040 (maturity)	1,675,000

$3,575,000 Term Bonds Maturing on September 1, 2042

Mandatory Redemption Dates	Principal Amount
September 1, 2041	$1,750,000
September 1, 2042 (maturity)	1,825,000

The principal amount of the Term Bonds of a maturity to be mandatorily redeemed on each such Mandatory Redemption Date shall be reduced, at the option of the District, by the principal amount of Term Bonds of such maturity which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of any mandatory sinking fund redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register.

Replacement of Registrar

Provision is made in the Bond Order for replacement of the Registrar. If the Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Registrar. In order to act as Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, 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.

Authority for Issuance

At elections held within the District on April 7, 1979, September 8, 2001, and February 1, 2003, voters of the District authorized the issuance of a total of $95,000,000 in unlimited tax bonds. The Bonds are issued pursuant to the authority of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and by Order of the Texas Commission on Environmental Quality (the "TCEQ"). See "Issuance of Additional Debt" below.

Outstanding Bonds and Payment Record

The Bonds constitute the twenty-fourth series of unlimited tax bonds issued by the District for the purpose of financing the acquisition and construction of a water supply and distribution, wastewater collection and treatment and storm drainage system (the "System") to serve the District and for refunding such bonds. The District has previously issued Unlimited Tax Bonds, Series 1982 (the "Series 1982 Bonds"); Unlimited Tax Bonds, Series 1986 (the "Series 1986 Bonds"), Unlimited Tax Bonds, Series 2000 (the "Series 2000 Bonds"), Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), Unlimited Tax Bonds, Series 2002 (the "Series 2002 Bonds"), Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"),Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds") and Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds") to finance the acquisition and construction of components of the District's System; and Unlimited Tax Refunding Bonds, Series 1997 (the "Series 1997 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2006 (the "Series 2006 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013A (the "Series 2013A Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015A (the "Series 2015A Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds"), the proceeds of which were used to refund certain then outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds that have been issued by the District as the "Prior Bonds." The District has timely made all payments of principal of and interest on the Prior Bonds when due. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that had not been retired by the District is $51,090,000 (the "Outstanding Bonds"). Following the issuance of the Bonds, the total of the District's direct bonded indebtedness outstanding, consisting of the Outstanding Bonds not previously paid by the District, and the Bonds, will be $58,140,000.

Source of Payment

Principal of and interest on the Bonds, together with the Outstanding Bonds and any additional unlimited tax bonds issued in the future, are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located 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.

Issuance of Additional Debt

Following the issuance of the Bonds, $18,660,000 in bonds for waterworks, wastewater, and drainage facilities will remain authorized but unissued, as approved by the District's voters at elections held on April 7, 1979, September 8, 2001, and February 1, 2003. Furthermore, the District has authorization pursuant to these same elections to issue refunding bonds in an amount not to exceed one and one-half (1.5) times the amount of bonds outstanding at any given time. The District has reserved the right in the Bond Order to issue additional bonds.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Except for such refunding bonds, before issuing any additional bonds for waterworks, wastewater and drainage facilities, the District would have to obtain approval of the Texas Commission on Environmental Quality (the "TCEQ") for the issuance of such bonds and the projects to be financed thereby. Since the District has not financed all components of the System which it currently expects to finance, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. Based on present engineering cost estimates, in the opinion of the District's consulting engineer, IDS Engineering Group (the "Engineer"), the aforementioned $18,660,000 authorized but unissued bonds for waterworks, wastewater, and drainage facilities will be adequate to finance the extension of waterworks, wastewater and drainage facilities to serve all of the remaining undeveloped portions of the District See "INVESTMENT CONSIDERATIONS - Future Debt." In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

No Arbitrage

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

Annexation and Consolidation

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

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

In certain circumstances, the District may alter its boundaries to exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect such a substitution of land.

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

Strategic Partnership Agreement - Limited Purpose Annexation by City of Houston

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City fire ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that, without the agreement of the District, the City will not annex the District for "full purposes" for at least thirty (30) years from the SPA's effective date.

As of April 9, 2007, the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). The District may use Sales Tax Revenue generated under the SPA for lawfully authorized purposes. None of the Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding 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. Even if 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. Certain traditional legal remedies also may not be available. 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. See "Bankruptcy Limitation to Registered Owners' Rights" below.

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. §§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 debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (a) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (b) all payments to be made in connection with the plan are fully disclosed and reasonable; (c) the District is not prohibited by law from taking any action necessary to carry out the plan; (d) administrative expenses are paid in full; and (e) 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.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment 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 and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. 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. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

Amendments to the Bond Order

The Bond Order contains provisions that the District may, without consent of or notice to any Registered Owner of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other changes which is not to the prejudice of the Registered Owners of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the Registered Owners of the Bonds as described in the Bond Order.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used to, among other items, (i) finance the District's cost of the acquisition or construction of water distribution, wastewater collection, and storm drainage facilities to serve the 44 fully developed single-family residential lots located in Ashford Grove East, Section 2; wastewater treatment plant improvements; drainage improvements to serve Northern Point subdivision; Water Plant Nos. 1 and 2 improvements; detention facilities improvements; facilities radio communication; and land acquisition costs; (ii) pay engineering costs associated with the design and construction of such facilities; (iii) pay for contingencies arising during the construction period; (iv) pay interest on funds advanced on the District's behalf by a developer of land located within the District; and (v) pay issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

				Amount
I.	**Construction Costs**			**Amount**
	A.	Developer Contribution Items (a)		
		1.	Ashford Grove East, Section 2 Water, Wastewater and Drainage	$ 217,690
		2.	Engineering and Surveying Costs for Item No. 1	102,780
			Total Developer Contribution Items	$ 320,470
	B.	District Items		
		1.	Wastewater Treatment Plant Improvements	$1,087,900
		2.	Drainage Improvements to Serve Northern Point Subdivision	1,306,600
		3.	Water Plant No. 1 Improvements	575,000
		4.	Water Plant No. 2 Improvements	463,500
		5.	Detention Facilities Improvements	382,050
		6.	Facilities Radio Communications	154,000
		7.	Contingencies	595,500

8.	Engineering Costs	685,000
9.	Land Acquisition Costs - Ashford Grove East Detention Basin	291,054
10.	Land Acquisition Costs - Ashford Grove East Lift Station	16,673
11.	Land Acquisition Costs - Dungrove	499,866
	Total District Items	$6,057,143
	TOTAL CONSTRUCTION COSTS	$6,377,613
II.	Non-Construction Costs	
1.	Legal Fees	$ 176,250
2.	Fiscal Agent Fees	141,000
3.	Developer Interest (b)	44,757
4.	Bond Discount	174,074
5.	Bond Issuance Expenses	29,205
6.	Bond Application Report Costs	45,000
7.	Attorney General Fee	7,050
8.	TCEQ Bond Issuance Fee	17,625
9.	Contingency (c)	37,426
	TOTAL NON-CONSTRUCTION COSTS	$ 672,387
	TOTAL BOND ISSUE REQUIREMENT	**$7,050,000**

(a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested and received from the TCEQ a waiver of such 30% developer contribution requirement and has been authorized by the TCEQ to finance one hundred percent (100%) of the cost of the facilities being financed with the proceeds of the sale of the Bonds.

(b) Represents interest owed on advances of construction costs and engineering fees made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds, or (ii) the interest rate at which such funds were borrowed.

(c) Represents funds which may be expended by the District subject to the rules of the TCEQ.

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

THE DISTRICT

Authority

The District is a municipal utility district created pursuant to an order of the Texas Water Rights Commission, a predecessor of the TCEQ, dated December 13, 1973. The District was created pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The District was originally created and operated under the name Three Lakes Municipal Utility District No. 1. On October 17, 1997, the TCEQ, upon petition of the District, approved the change of the District's name to Harris County Municipal Utility District No. 368. Such change in name in no way affects any outstanding, current, or future obligations of the District. 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 Chapters 49 and 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, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, 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. Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District contains approximately 1,088.605 acres of land. The District is located approximately twenty-four miles northwest of the central business district of Houston, Texas, in the northwestern portion of Harris County, Texas. The District is bounded on the west by SH 249. The District is located entirely within the extraterritorial jurisdiction of the City of Houston. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective positions and terms of office, are listed below. Three of the Directors currently reside within the District. Directors Lackey and Dunn own separate parcels of land located within the District.

Name	Title	Term Expires May
Roy P. Lackey	President	2022
Tiffani C. Bishop	Vice President/Investment Officer	2020
Sharon L. Cook	Secretary	2020
Allison V. Dunn	Assistant Secretary	2022
Eric Daniel	Treasurer	2020

The District does not have a general manager but has contracted for services as follows:

Bookkeeper - The District's bookkeeper is Municipal Accounts & Consulting, Inc., which serves as bookkeeper for approximately 400 utility districts.

Tax Assessor/Collector - The District has engaged Bob Leared Interests as the District's Tax Assessor/Collector. According to Bob Leared Interests, it presently serves 150 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has engaged IDS Engineering Group, Houston, Texas, as Consulting Engineer to provide engineering services to the District. IDS Engineering Group is currently district engineer for approximately 60 utility districts.

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. The District has employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial statements for the year ending May 31, 2019. A copy of the District's audit for the Fiscal Year ended May 31, 2019, is included as "APPENDIX B" to this Official Statement.

Counsel - The District has engaged Johnson Petrov LLP, Houston, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. Payment to Bond Counsel by the District is contingent on the issuance, sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/companysearch.html.

DEVELOPMENT OF THE DISTRICT

As of September 15, 2019, the District contained (i) 3,842 homes that have been constructed on the 3,844 single-family residential lots that have been developed within the District, all of which homes have been sold to home purchasers, and (ii) approximately 43.28 acres of reserves. Above-ground improvements have been constructed on approximately 26.39 acres of such reserves as follows: a Houston Garden Center facility (3.49 acres), a shopping center (1.66 acres), a gasoline/convenience store (0.37 acres), the Graceview Baptist Church (15.28 acres), the Three Lakes Subdivision Community Center (2.18 acres), the Three Lakes East Community Center (1.58 acres) and the Northpointe East Community Center (1.83 acres). In addition, (i) a Walgreens Drug Store, a child care center and a Adriatic Café Italian Grill restaurant have been constructed on an approximately 4.11 acre tract of land located within the District; (ii) Parkway Chevrolet has constructed an automobile dealership on approximately 15.8 acres of an approximately 29.8 acre tract located within the District, on an additional 3.8 acre portion of which a retail shopping center has been constructed; (iii) a 19-screen movie theatre, a Bahama Bucks, a Texas Roadhouse restaurant and a Bombshells restaurant have been constructed on approximately 17.0 acres of an approximately 24 acre tract of land located within the District; (iv) the Fred Haas Nissan automobile dealership has been constructed on approximately 15 acres of an approximately 33 acre tract located within the District; (v) a Valero corner store has been constructed on approximately 3.0 acres located within the District; and (vi) a Texaco Tomball corner store has been constructed on approximately 1.0 acre located within the District; and the Northpointe business park is currently under construction on approximately 4.0 acres located within the District, with completion expected in approximately December, 2019.

The aforementioned development includes the completion of the development of 3,844 single-family residential lots on approximately 839.54 acres located within the District. Such fully developed lots have been platted as Three Lakes, Section 1, Three Lakes East, Sections 1 through 4, Pinecrest Forest, Sections 1 through 12, Northpointe East, Sections 1 through 4, Willow Falls, Sections 1 through 5, Stonepine, Sections 1 and 2, Northern Point, Sections 1 through 5, Ashford Place, Sections 1 through 4, Ashford Grove, Sections 1 through 4, and Ashford Grove East, Sections 1 and 2. Such development is enumerated in the chart that appears below. The District financed the cost of acquiring and constructing components of the System to serve Pinecrest Forest, Sections 1 through 12, Three Lakes, Section 1, Three Lakes East, Sections 1 through 4, Northpointe East, Sections 1 through 4, Willow Falls, Sections 1 through 5, Stonepine, Sections 1 and 2, Northern Point, Sections 1 through 5, Ashford Place, Sections 1 through 4, Ashford Grove, Sections 1 through 4, Ashford Grove East, Section 1, and the Dungrove Tract, plus approximately 29.07 of the aforementioned approximately 43.28 acres of reserves, and other facilities, with the proceeds of the sale of the Prior Bonds. The District is financing the cost of acquiring and constructing components of the System to serve Ashford Grove East, Section 2, and other facilities, with the proceeds of the sale of the Bonds. In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," and - "Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM - Description."

There are approximately 32.83 currently undeveloped acres of land located within the District which are available for future development that are expected to be developed predominantly for future commercial usage. Such approximately 32.83 acres of currently undeveloped land are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Therefore, since no owner of any of the currently undeveloped land located within the District is under any obligation to the District to develop any of such land for any particular purpose, according to any timetable, or at all, the District cannot represent that development of any of such acres will be undertaken.

The balance of the land that is located within the District is contained within outfall drainage channel or certain road rights-of-way, detention pond or District water plant or wastewater treatment plant sites, or is otherwise not available for future development, including acres that are located within the aforementioned platted subdivisions, commercial areas of the District upon which commercial above-ground improvements have been constructed, and the aforementioned currently undeveloped land located within the District. See "FUTURE DEVELOPMENT," "INVESTMENT CONSIDERATIONS," and "THE SYSTEM."

As of September 15, 2019, the status of residential lot development and home construction in the District was as follows:

Residential Units

	Lots				Homes					
					Under Construction		Completed			
Subdivision	Fully Developed	Acres	Under Development	Acres	Sold*	Unsold	Sold*	Unsold	Models	Totals
Three Lakes										
Section 1	319	70.20			0	0	319	0	0	319
Three Lakes East										
Section 1	146	22.42			0	0	146	0	0	146
Section 2	83	13.83			0	0	83	0	0	83
Section 3	83	11.58			0	0	83	0	0	83
Section 4	244	49.00			0	0	244	0	0	244
Pinecrest Forest										
Section 1	28	6.22			0	0	28	0	0	28
Section 2	42	10.42			0	0	42	0	0	42
Section 3	54	15.22			0	0	54	0	0	54
Section 4	50	14.55			0	0	50	0	0	50
Section 5	27	7.93			0	0	27	0	0	27
Section 6	60	13.05			0	0	60	0	0	60
Section 7	87	19.74			0	0	87	0	0	87
Section 8	4	0.77			0	0	4	0	0	4
Section 9	73	17.30			0	0	73	0	0	73
Section 10	93	17.60			0	0	93	0	0	93
Section 11	58	12.45			0	0	58	0	0	58
Section 12	73	12.62			0	0	73	0	0	73
Northpointe East										
Section 1	206	51.47			0	0	206	0	0	206
Section 2	155	30.03			0	0	155	0	0	155
Section 3	110	29.66			0	0	110	0	0	110
Section 4	13	3.00			0	0	13	0	0	13
Willow Falls										
Section 1	123	43.14			0	0	123	0	0	123
Section 2	83	15.06			0	0	83	0	0	83
Section 3	112	20.90			0	0	112	0	0	112
Section 4	39	7.93			0	0	39	0	0	39
Section 5	64	10.28			0	0	64	0	0	64
Stonepine										
Section 1	117	21.44			0	0	117	0	0	117
Section 2	118	35.06			0	0	118	0	0	118
Northern Point										
Section 1	152	26.38			0	0	152	0	0	152
Section 2	127	17.53			0	0	127	0	0	127
Section 3	107	26.51			0	0	107	0	0	107
Section 4	68	16.59			0	0	68	0	0	68
Section 5	65	14.00			0	0	65	0	0	65
Ashford Place										
Section 1	83**	21.72			0	0	81	0	0	81
Section 2	97	24.34			0	0	97	0	0	97
Section 3	62	14.26			0	0	62	0	0	62
Section 4	100	17.56			0	0	100	0	0	100
Ashford Grove										
Section 1	58	12.31			0	0	58	0	0	58
Section 2	60	15.33			0	0	60	0	0	60
Section 3	59	20.70			0	0	59	0	0	59
Section 4	42	6.45			0	0	42	0	0	42
Ashford Grove East										
Section 1	56	13.85			0	0	56	0	0	56
Section 2	44	9.15			0	0	44	0	0	44
TOTALS	3,844	839.54	0	0	0	0	3,842	0	0	3,842

* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval, and inspection.

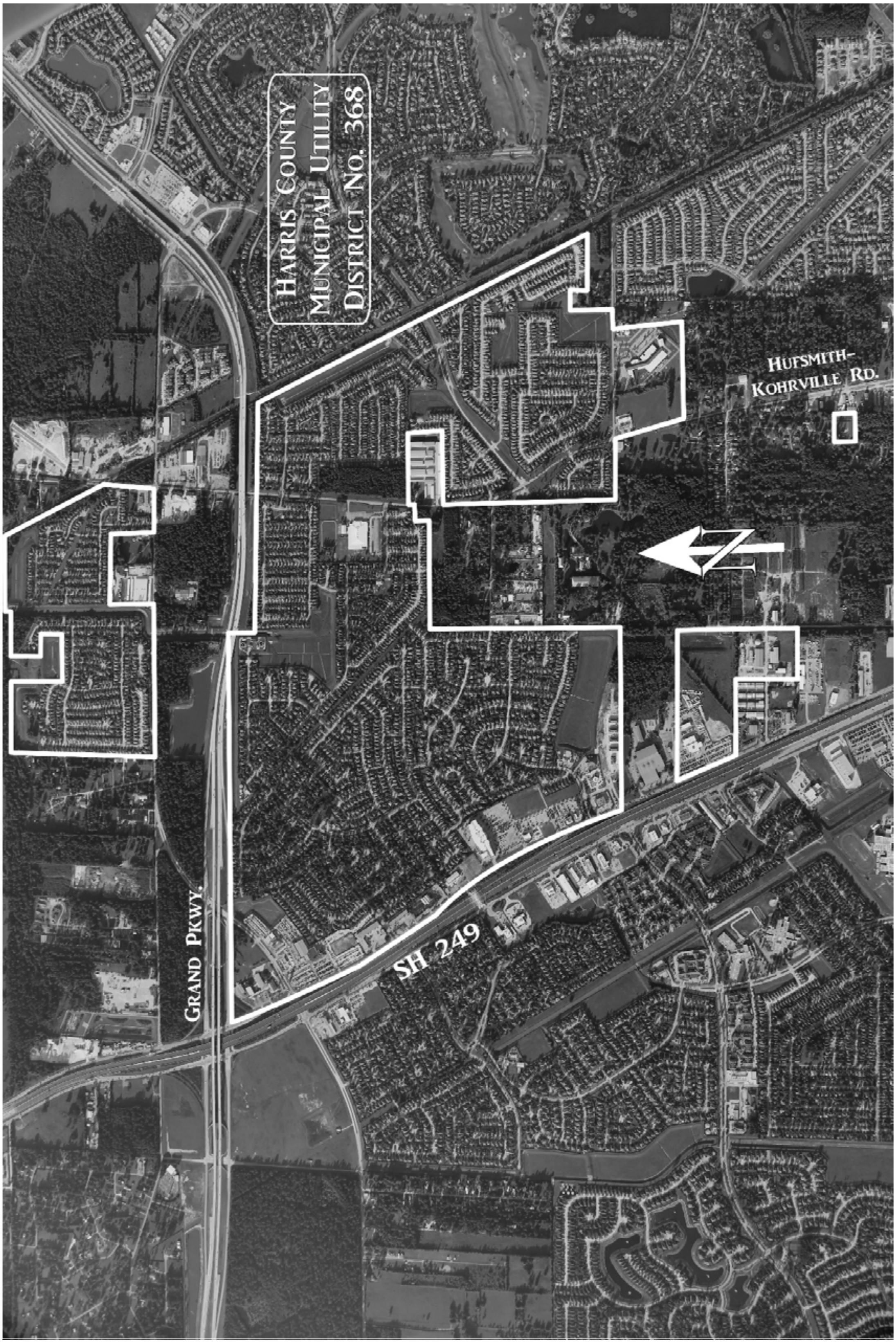
** Two of such lots have been converted into a park.

FUTURE DEVELOPMENT

The development of approximately 839.54 of the approximately 1,088.605 acres of land located in the District into a total of 3,844 single-family residential lots has been completed as is described above under the caption "DEVELOPMENT OF THE DISTRICT." As is also described under such caption, approximately 43.28 acres of reserves located in the District have been developed and approximately 26.39 acres of such 43.28 acres have had above-ground improvements constructed on them; and a business park is currently under construction on approximately 4.0 acres located within the District, with completion expected in approximately December, 2019. There are approximately 32.83 currently undeveloped acres of land located within the District which are available for future development that are expected to be developed predominantly for future commercial usage. Such approximately 32.83 acres of currently undeveloped land are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Therefore, since no owner of any of the currently undeveloped land located within the District is under any obligation to the District to develop any of such land for any particular purpose, according to any timetable, or at all, the District cannot represent that development of any of such acres will be undertaken. See "INVESTMENT CONSIDERATIONS" and "THE SYSTEM." The balance of the land that is located within the District is contained within outfall drainage channel or certain road rights-of-way, detention pond or District water plant or wastewater treatment plant sites, or is otherwise not available for future development, including acres that are located within the aforementioned platted subdivisions, commercial areas of the District upon which commercial above-ground improvement have been constructed, and the aforementioned currently undeveloped land located within the District.

Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the $18,660,000 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt." In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," "Source of Payment," and - "Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM - Description." No party is under any obligation to initiate development of any of the currently undeveloped land located within the District or to complete any development, if begun, and any party initiating any future development thereon could modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken June 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2019)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2019)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the total debt service requirements for the Outstanding Bonds and the principal and interest requirements of the Bonds.

Year	Outstanding Bonds	The Bonds Principal (Due 9-1)	The Bonds Interest	Total Debt Service Requirements
2020	$ 3,868,044		$161,406	$ 4,029,450
2021	3,844,631		193,688	4,038,319
2022	3,823,931	$ 100,000	193,688	4,117,619
2023	3,817,694	100,000	191,688	4,109,382
2024	3,824,406	100,000	189,688	4,114,094
2025	3,843,181	100,000	187,688	4,130,869
2026	3,834,081	100,000	185,688	4,119,769
2027	3,851,881	100,000	183,688	4,135,569
2028	3,840,563	100,000	181,688	4,122,251
2029	3,834,350	100,000	179,688	4,114,038
2030	3,853,475	100,000	177,688	4,131,163
2031	3,950,400	100,000	175,688	4,226,088
2032	3,940,475	100,000	173,563	4,214,038
2033	3,972,425	100,000	171,313	4,243,738
2034	3,998,063	100,000	168,938	4,267,001
2035	3,237,500	100,000	166,563	3,504,063
2036	3,287,063	100,000	164,063	3,551,126
2037	2,315,225	100,000*	161,563	2,576,788
2038	2,332,613	100,000*	158,813	2,591,426
2039	2,366,175	100,000*	156,063	2,622,238
2040		1,675,000*	153,313	1,828,313
2041		1,750,000*	107,250	1,857,250
2042		1,825,000*	54,750	1,879,750
	$71,636,176	$7,050,000	$3,838,166	$82,524,342

Average Annual Requirements (2020-2034) $4,140,893
Maximum Annual Requirement (2034) $4,267,001

* Represents mandatory sinking fund payments on Term Bonds.

Bonded Indebtedness

2019 Assessed Valuation . . . . (As of January 1, 2019) See “TAX DATA” and “TAXING PROCEDURES.”	$781,701,510(a)
Estimated Valuation at June 1, 2019 . . . . (As of June 1, 2019) See “TAX DATA” and “TAXING PROCEDURES”	$791,278,522(b)
Direct Debt:	
Outstanding Bonds	$ 51,090,000
The Bonds	7,050,000
Total	$ 58,140,000(c)
Estimated Overlapping Debt	$ 46,441,170
Total Direct and Estimated Overlapping Debt	$ 104,581,170(c)
Direct Debt Ratios:	
: as a percentage of 2019 Assessed Valuation	7.44%
: as a percentage of Estimated Valuation at June 1, 2019	7.35%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2019 Assessed Valuation	13.38%
: as a percentage of Estimated Valuation at June 1, 2019	13.22%
Debt Service Fund Balance As of September 26, 2019	$ 3,863,918(d)
General Fund Balance As of September 26, 2019	$ 4,915,121
2019 Tax Rate per $100 of Assessed Valuation	
Debt Service Tax	$0.53
Maintenance Tax	0.15
Total	$0.68(e)

(a) As of January 1, 2019. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the “Appraisal District”) at 100% of taxable valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the “Appraisal Review Board”). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District’s “Estimated Final Taxable Value with Hearing Loss” of such properties is $79,197,113, which total is included in the amount of $781,701,510. The Appraisal District has proposed the valuation of such protested properties to be $81,763,430. The Appraisal District’s estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $17,867,864, which total is also included in the amount of $781,701,510. The District is unable to predict the amount of the District’s final 2019 Assessed Valuation. Such final 2019 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2019. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2019, and includes an estimate of values resulting from the development and construction of taxable improvements from January 1, 2019, through May 31, 2019. No tax was levied for 2019 on the increased valuation of such improvements constructed subsequent to January 1, 2019, since the District's tax is levied annually on the valuation of property as of January 1. The valuation of such additional improvements constructed from January 1, 2019, through May 31, 2019, which will be included in the District's 2020 tax roll, may vary significantly from this estimate when the Appraisal Review Board certifies the value of District property for 2020. See "TAXING PROCEDURES."

(c) In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," - "Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM - Description."

(d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such balance gives effect to the timely payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due for 2019. The District's initial debt service payment on the Bonds, which consists of a ten-month interest payment thereon, is due on September 1, 2020.

(e) The District has levied a total tax of $0.68 per $100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District and the District's 2019 tax levy is $2.93860 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates affecting municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

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 information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. 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 for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt As of September 1, 2019	Overlapping Percent	Overlapping Amount
Harris County (i)	$2,050,758,022	0.17347%	$ 3,557,389
Harris County Department of Education	6,320,000	0.17347	10,963
Harris County Flood Control District	83,075,000	0.17347	144,108
Port of Houston Authority	593,754,397	0.17347	1,029,968
Lone Star College System	609,845,000	0.39975	2,437,833
Klein Independent School District	1,072,345,000	3.65195	39,161,512
Harris County Hospital District	57,300,000	0.17347	99,397
TOTAL ESTIMATED OVERLAPPING DEBT			$46,441,170
TOTAL DIRECT DEBT			58,140,000
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			$104,581,170

(i) Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.

Debt Ratios

	% of 2019 Assessed Valuation	% of Estimated Valuation at June 1, 2019
Direct Debt	7.44%	7.35%
Direct and Estimated Overlapping Debt	13.38%	13.22%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax in past years, including a maintenance tax of $0.15 per $100 of Assessed Valuation in 2019. See "TAX DATA - Maintenance Tax."

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be authorized by District voters and issued by the District from time to time (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Order covenanted 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 when due (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The actual rate of such tax is determined annually as a function of the District's tax base, its debt service requirements, and available funds. The District has levied a debt service tax of $0.53 per $100 of Assessed Valuation for 2019.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board has been authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed $1.00 per $100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any additional parity bonds which may be issued in the future. The District has levied a maintenance tax of $0.15 per $100 of Assessed Valuation for 2019.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	$0.53	$0.55	$0.55	$0.58	$0.64
Maintenance and Operations	0.15	0.15	0.15	0.14	0.15
Total	$0.68	$0.70	$0.70	$0.72	$0.79

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical assessed valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information. See “APPENDIX B.”

				% Collections	
Tax Year	Assessed Valuation	Tax Rate(a)	Adjusted Levy	Current & Prior Years(b)	Year Ending 9/30
2008	$451,411,165	$0.930	$4,197,842	100.00%	2009
2009	444,740,108	0.930	4,135,687	99.98	2010
2010	427,881,644	0.930	3,979,012	99.98	2011
2011	423,472,450	0.945	4,001,259	99.97	2012
2012	413,765,920	0.995	4,116,972	99.93	2013
2013	445,333,252	0.995	4,431,067	99.92	2014
2014	513,750,620	0.870	4,469,631	99.91	2015
2015	586,955,869	0.790	4,636,952	99.90	2016
2016	652,904,906	0.720	4,700,915	99.87	2017
2017	691,235,145	0.700	4,838,648	99.84	2018
2018	714,935,343	0.700	5,004,549	99.43(c)	2019
2019	781,701,510(d)	0.680(e)	5,315,570(e)	(e)	2020

(a) Per $100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through August 31, 2019.

(c) As of August 31, 2019. In process of collection.

(d) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District’s “Estimated Final Taxable Value with Hearing Loss” of such properties is $79,197,113, which total is included in the amount of $781,701,510. The Appraisal District has proposed the valuation of such protested properties to be $81,763,430. The Appraisal District’s estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $17,867,864, which total is also included in the amount of $781,701,510. The District is unable to predict the amount of the District’s final 2019 Assessed Valuation. Such final 2019 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2019.

(e) On October 17, 2019, the District levied a total tax of $0.68 per $100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively.

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

Type of Property	2019 Assessed Valuation	%	2018 Assessed Valuation	%	2017 Assessed Valuation	%
Land	$137,476,630	17.59%	$153,046,796	21.41%	$148,896,042	21.54%
Improvements	604,843,927	77.38	598,639,829	83.73	590,005,825	85.36
Personal Property	21,888,747	2.80	32,647,874	4.57	28,400,952	4.11
Uncertified	97,064,977	12.42	0	0.00	0	0.00
Exemptions	(79,572,771)	(10.18)	(69,399,156)	(9.71)	(76,067,674)	(11.01)
Total	$781,701,510*	100.00%	$714,935,343	100.00%	$691,235,145	100.00%

Type of Property	2016 Assessed Valuation	%	2015 Assessed Valuation	%
Land	$143,308,562	21.95%	$136,688,930	23.29%
Improvements	572,199,296	87.64	524,501,131	89.36
Personal Property	28,433,592	4.35	25,348,036	4.32
Exemptions	(91,036,544)	(13.94)	(99,582,228)	(16.97)
Total	$652,904,906	100.00%	$586,955,869	100.00%

* Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is $79,197,113, which total is included in the amount of $781,701,510. The Appraisal District has proposed the valuation of such protested properties to be $81,763,430. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $17,867,864, which total is also included in the amount of $781,701,510. The District is unable to predict the amount of the District's final 2019 Assessed Valuation. Such final 2019 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2019.

Principal 2019 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2019.

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll	% of 2019 Tax Roll
JR 25500 LP	Land and Improvements	$ 11,574,520	1.48%
30 West Pershing LLC	Land and Improvements	9,704,223	1.24
Fehn Properties, Ltd.	Land and Improvements	9,150,000	1.17
Parkway Chevrolet Inc.	Personal Property	8,167,344	1.04
RCI Holdings Inc.	Land and Improvements	6,867,779	0.88
Fred Haas Nissan	Personal Property	6,509,984	0.83
HMT Inc.	Land and Improvements	4,854,790	0.62
24922 Tomball, Ltd.	Land and Improvements	3,847,800	0.49
JR 27909 LLC	Land and Improvements	2,926,442	0.37
Centerpoint Energy	Personal Property	2,876,420	0.37
		$66,479,302	8.50%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2019 Assessed Valuation or the Estimated Valuation at June 1, 2019. The calculations assume collection of 95% of taxes levied, no use of other legally available District funds on hand, and the sale of no additional bonds by the District except the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements (2020-2034)	$4,140,893
Tax Rate of $0.56 on the 2019 Assessed Valuation ($781,701,510) produces	$4,158,652
Tax Rate of $0.56 on the Estimated Valuation at June 1, 2019 ($791,278,522) produces	$4,209,602
Maximum Annual Debt Service Requirement (2034)	$4,267,001
Tax Rate of $0.58 on the 2019 Assessed Valuation ($781,701,510) produces	$4,307,175
Tax Rate of $0.57 on the Estimated Valuation at June 1, 2019 (791,278,522) produces	$4,284,773

The District has levied a total tax of $0.68 per $100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively. As the above table indicates, the 2019 debt service tax rate will not be sufficient to pay the debt service requirements on the Bonds and the Outstanding Bonds unless taxable values in the District increase above the level of the 2019 Assessed Valuation or the Estimated Valuation at June 1, 2019. However, as is illustrated above under the caption "Historical Values and Tax Collection History," the District has collected an average of 99.93% of its 2008 through 2017 tax levies as of August 31, 2019, and its 2018 tax levy was 99.43% collected as of such date. Moreover, the District's Debt Service Fund balance is $3,863,918 as of September 26, 2019. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). The District anticipates that, given the foregoing factors, the District will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2019 - $0.53 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," - "Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "INVESTMENT CONSIDERATIONS - Future Debt' and "THE SYSTEM - Description."

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 DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per $100 of Assessed Valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2018 taxes per $100 of Assessed Valuation levied by all such taxing jurisdictions and the 2019 tax rate of the District.

Taxing Jurisdictions	2018 Tax Per $100 of Assessed Valuation
The District	$0.68000*
Harris County	0.41858
Harris County Department of Education	0.00519
Harris County Flood Control District	0.02877
Harris County Hospital District	0.17108
Port of Houston Authority	0.01155
Harris County Emergency Services District #16	0.04957
Harris County Emergency Services District #11	0.03606
Klein Independent School District	1.43000
Lone Star College System District	0.10780
Total Tax Rate	$2.93860

* The District has levied a total tax of $0.68 per $100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of $1.00 per $100 of Assessed Valuation. See "TAX DATA - Maintenance Tax." The District has levied a maintenance tax of $0.15 per $100 of Assessed Valuation for 2019. See "TAX DATA - Tax Rate Distribution."

Reappraisal of Property After Disaster

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

Exempt Property

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifth percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under the Texas law, 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. The District's 2019 tax roll contains a total of $6,133,576 in Assessed Valuation of disabled veterans' exemptions and a total of $1,150,500 in Assessed Valuation in over 65 and disabled persons' exemptions.

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date, the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation may be made that the Board will not determine to grant such exemption in the future.

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

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (if it were to annex the District), Harris 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.

County-Wide Appraisal District

The Property Tax Code specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State 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 values established by the appraisal district. The Harris County Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Harris 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.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Harris County at an election held for such purpose, determines to transfer such functions to the HCAD or another taxing unit.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. Under the Property Tax Code, however, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. See "TAX DATA - Principal 2019 Taxpayers" above. The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the 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 for three years for agricultural use and for five years for agricultural land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

After the date the District receives the certified roll, the rate of taxation must be set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

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 petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. 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 Tax Code.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

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

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

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than1.08 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 than1.035 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.

Collection

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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. In addition, the District may, but is not required to, terminate water and sewer utility service to any property owner which is a utility customer and which is at least six (6) months delinquent in tax payments. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's redemption rights (a taxpayer may redeem property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Principal Land Owners' Obligations to the District."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable 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 upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, and (ii) commercial buildings that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences. Demand for the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban area toward which the marketing of homes and commercial enterprises is directed. Significant vacancy rates of commercial buildings located within the District would restrict the growth of property values in the District. Declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the value of existing homes. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the value of existing homes. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Similarly, if larger-scale commercial improvements were vacated, such improvements may be difficult to re-lease or re-purpose which could adversely affect the values not only of such improvements, but also other commercial improvements. Although the District currently contains (i) a total of 3,844 fully developed single-family residential lots on which 3,842 single-family homes have been constructed, and (ii) reserves and other property that have been developed for commercial usage on which above-ground taxable improvements have been constructed and are under construction as is described in the sections of this Official Statement entitled "DEVELOPMENT OF THE DISTRICT" and "THE SYSTEM," the District cannot predict the pace or magnitude of any future residential or commercial development or home construction or the construction of future commercial buildings in the District other than that which has occurred to date. Moreover, the District makes no representation as to the occupancy levels of any commercial properties that have been or might be constructed within the District.

National Economy: There has been a downturn in new housing construction in the United States in recent years, resulting in a decline in national housing market values. Although the District currently contains (i) a total of 3,844 fully developed single-family residential lots on which 3,842 single-family homes have been constructed, and (ii) reserves and other property that have been developed for commercial usage on which above-ground taxable improvements have been constructed and are under construction as is described in the sections of this Official Statement entitled "DEVELOPMENT OF THE DISTRICT" and "THE SYSTEM," the District cannot predict the pace or magnitude of any future residential or commercial development or home construction or the construction of future commercial buildings in the District other than that which has occurred to date. Moreover, the District makes no representation as to the occupancy levels of any commercial properties that have been or might be constructed within the District. The District cannot predict what impact, if any, a downturn in the local housing market or the national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on single-family and commercial development activity and the construction of homes and commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which commercial developers are able to finance new commercial buildings. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale and commercial developers to initiate the construction of commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or the construction of new commercial buildings within the District. In addition, since the District is located approximately 24 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and a decline in the real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of new commercial buildings in the District and restrain the growth of the District's property tax base.

Principal Land Owners' Obligations to the District

The ability of any principal land owner 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. See "DEVELOPER AND BUILDER" and "TAX DATA - Principal 2019 Taxpayers." The development of approximately 839.54 of the approximately 1,088.605 acres of land located in the District into a total of 3,844 single-family residential lots has been completed as is described above under the caption "DEVELOPMENT OF THE DISTRICT." As is also described under such caption, approximately 43.28 acres of reserves located in the District have been developed on approximately 26.39 acres of which above-ground improvements have been constructed; and a business park is currently under construction on approximately 4.0 acres located within the District, with completion expected in approximately December, 2019. There are approximately 32.83 currently undeveloped acres of land which are available for future development that are expected to be developed predominantly for future commercial usage. Such approximately 32.83 acres of currently undeveloped land are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Therefore, since no owner of any of the currently undeveloped land located within the District is under any obligation to the District to develop any of such land for any particular purpose, according to any timetable, or at all, the District cannot represent that development of any of such acres will be undertaken. The District can place no restriction on the right of any land owner to sell its land located in the District. Therefore, the District cannot predict the likelihood of any future residential or commercial development or home construction, the construction of future commercial buildings, or construction of other taxable improvements in addition to the residential and commercial development and home construction, construction of commercial buildings and construction of other taxable improvements which have occurred therein to date.

Maximum Impact on District Tax Rates

Assuming no further construction of homes, commercial buildings and other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2019 Assessed Valuation of property located within the District supplied by the Appraisal District is $781,701,510. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be $4,267,001 (2034), and the Average Annual Debt Service Requirements will be $4,140,893 (2020 through 2034, inclusive). Assuming no increase to nor decrease from the 2019 Assessed Valuation, no use of other legally available District funds, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds, tax rates of $0.58 and $0.56 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. The Estimated Valuation at June 1, 2019, of property located within the District supplied by the Appraisal District is $791,278,522. Assuming no increase to nor decrease from the Estimated Valuation at June 1, 2019, no use of other legally available District funds, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds, tax rates of $0.57 and $0.56 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. The District has levied a total tax of $0.68 per $100 of Assessed Valuation for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively. As the foregoing calculations indicate, the 2019 debt service tax rate will not be sufficient to pay the debt service requirements on the Bonds and the Outstanding Bonds unless taxable values in the District increase above the level of the 2019 Assessed Valuation or the Estimated Valuation at June 1, 2019. However, as is illustrated above under the caption "Historical Values and Tax Collection History," the District has collected an average of 99.93% of its 2008 through 2017 tax levies as of August 31, 2019, and its 2018 tax levy was 99.43% collected as of such date. Moreover, the District's Debt Service Fund balance is $3,863,918 as of September 26, 2019. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). The District anticipates that, given the foregoing factors, the District will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2019 - $0.53 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX DATA - Tax Rate Calculations. In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," - "Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds,""INVESTMENT CONSIDERATIONS - Future Debt' and "THE SYSTEM - Description."

Increases in the District's tax rate to levels higher than the combined rate of $0.68 per $100 of Assessed Valuation which the District has levied for 2019, consisting of debt service and maintenance tax components of $0.53 and $0.15 per $100 of Assessed Valuation, respectively, may have an adverse impact upon future development within the District, the future construction of homes and other taxable improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be costly and lengthy processes. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2018 tax levies of all units of government which levy taxes against the property located within the District and the District's 2019 tax levy is $2.93860 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

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 the amount of taxes owed to other taxing units, a bankruptcy court's stay of tax collection procedures against a taxpayer, and market conditions limiting the proceeds from a foreclosure sale of taxable property. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

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

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

There has been no definitive judicial determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that, although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes. The FDIC has taken the position that Standby Fees may not be assessed against such property. See "TAX DATA - Principal 2019 Taxpayers."

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 adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for other 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. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if 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 of 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 further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights." The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. 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. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has reserved in the Bond Order the right to issue the remaining $18,660,000 bonds authorized but unissued for waterworks, wastewater and drainage facilities, and refunding bonds in an amount not to exceed one and one-half (1.5) times the amount of bonds outstanding at any given time, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds authorized for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by voters of the District may be issued by the District from time to time as needed. The issuance of the aforementioned $18,660,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ approval. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. According to the District's Engineer, the $18,660,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities will be sufficient to finance the extension of the System to serve all of the undeveloped portions of the District. In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," - "Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," and "THE SYSTEM - Description."

Competitive Nature of Houston Residential Housing and Commercial Development and Construction Markets

The single-family residential housing and commercial development industries in the Houston area are very competitive, and the District can give no assurance that any single-family residential lot development or homebuilding programs will be initiated in the District in addition to the single-family residential lot development and homebuilding programs that have been undertaken in the District to date, or that any commercial development or construction of future above-ground commercial improvements will be undertaken in the District in addition to the commercial development projects and construction of above-ground commercial improvements that have been undertaken in the District to date as are described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." The respective competitive positions of any developer(s), or home builder(s) which might attempt future single-family residential lot development or homebuilding programs in the District in the sale of developed single-family residential lots or in the construction and sale of single-family residential units and of any commercial developer which might undertake future commercial development projects or the construction of new or above-ground commercial improvements are affected by most of the factors discussed in this section, and such single-family residential lot development and/or commercial development projects and the construction of single-family residential units and/or commercial above-ground improvements are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues

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

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

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

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

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

Water Supply & Discharge Issues

Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Pearland (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must also obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

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 jurisdiction 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 13, 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.

Future and Proposed Legislation

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

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

Tropical Weather Events

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

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to District officials, the District's System did not sustain any material damage and there was no interruption of water or sewer service. Further, according to District officials, after investigation, the District experienced street flooding, and water penetration ranging from approximately one inch to less than eighteen inches in approximately 200 homes located in the Northern Point subdivision. Such approximately 200 homes located in the Northern Point subdivision represent slightly more than 5% of the total of 3,842 homes located in the District as of June 1, 2019. Hurricane Harvey could have a material impact on the Houston region's economy.

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

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

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities serving land within the District (the "System") 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 City of Houston, Harris County, the Harris County Flood Control District, and the TCEQ.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's Engineer, the total number of equivalent single-family connections ("ESFC") projected for the District at the full development of its approximate 1,088.605 acres is 4,457 with a total estimated equivalent population of 13,300. A description of portions of the System follows, and is based upon information supplied by the District's Engineer.

Description

The District financed the cost of acquiring and constructing components of the System to serve Pinecrest Forest, Sections 1 through 12, Three Lakes, Section 1, Three Lakes East, Sections 1 through 4, Northpointe East, Sections 1 through 4, Willow Falls, Sections 1 through 5, Stonepine, Sections 1 and 2, Northern Point, Sections 1 through 5, Ashford Place, Sections 1 through 4, Ashford Grove, Sections 1 through 4, Ashford Grove East, Section 1, and the Dungrove Tract, plus approximately 29.07 of the aforementioned approximately 43.28 acres of reserves, and other facilities, with the proceeds of the sale of the Prior Bonds. The District is financing the cost of acquiring and constructing components of the System to serve Ashford Grove East, Section 2, and other facilities, with the proceeds of the sale of the Bonds. In addition to the components of the System and other facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the sale of the Bonds, the District anticipates financing additional components of the System, and other facilities, with proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Source of Payment," and - "Issuance of Additional Debt," and "INVESTMENT CONSIDERATIONS -

Future Debt." After issuance of the Bonds, there will be $18,660,000 in bonds authorized but unissued for waterworks, wastewater and drainage facilities. According to the District's Engineer, the $18,660,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities will be sufficient to finance the extension of the System to serve all of the undeveloped portions of the District.

Water Supply and Water Quality

In 1981 the District constructed Water Plant No. 1 ("WP 1"), including a 1,000 gallon per minute ("gpm") Water Well No. 1 ("WW 1"), three booster pumps with a total capacity of 1,850 gpm, a 20,000 gallon hydropneumatic tank, and a 210,000 gallon ground storage tank. WW 1 was constructed to screen water in the Evangeline Aquifer.

In 1990, the District discovered that WW 1 was contaminated with benzene at concentrations which exceeded the EPA and TCEQ safe drinking water standards. The District suspended production from and abandoned WW 1 and obtained its water supply from the adjacent Northwest Harris County Municipal Utility District No. 15. In 1992, the District formally plugged WW 1 in accordance with TCEQ procedures.

The District expanded its water production facilities to give effect to the increasing demand created by the growth within the District. The District now owns and operates five water wells, Water Wells 2, 3, 4, 5, and 6, which deliver water to two Water Plants, Water Plants 1 and 2. WW 2 is a 500 gpm well screened in the Chicot Aquifer, WW 3 is a 550 gpm well screened in the Chicot Aquifer, WW4 is a 1,200 gpm well screened in the Jasper Aquifer, WW 5 is a 700 gpm well screened in the Chicot Aquifer, and WW 6 is a 1,400 gpm well screened in the Jasper Aquifer. All five wells can be operated by emergency generators with automatic transfer switches.

Water Plant No. 1 has three ground storage tanks with a combined capacity of 800,000 gallons, two hydropneumatic tanks with a combined capacity of 30,000 gallons, five booster pumps with a combined capacity of 5,150 gpm, disinfection equipment, and an emergency generator. Water Plant No. 2 has two ground storage tanks with a combined capacity of 1,600,000 gallons, two hydropneumatic tanks with a combined capacity of 30,000 gallons, five booster pumps with a combined capacity of 5,700 gpm, disinfection equipment, and an emergency generator. The combined water supply facilities are capable of serving approximately 5,000 ESFCs.

- Additional Source of Water -

The North Harris County Regional Water Authority (the "Authority") is currently delivering surface water to the District. See "Subsidence and Conversion to Surface Water Supply" below. On May 19, 2009, the District and the Authority entered into a First Amendment Groundwater Transfer Agreement to reduce the minimum purchase to 150,000 gallons per day from the Authority and up to a maximum usage of 276,000 gallons per day.

- Ongoing Well Water Quality Monitoring -

The District samples Water Well Nos. 2, 3, 4, 5 and 6 every month and tests for benzene, ethylbenzene, toluene, and xylenes. In addition, the TCEQ periodically samples the water wells and analyzes for approximately 65 compounds, including benzene. Since November 5, 1992, all samples have met USEPA and TCEQ safe drinking water standards. The District intends to continue its monthly well water quality testing program.

On July 11, 2005, the District was awarded the Texas Superior Water Rating by the TCEQ for superior water quality and service.

- Subsidence and Conversion to Surface Water Supply -

The Authority obtains an aggregated annual permit on behalf of the District from the Harris Galveston Subsidence District ("HGCSD") to withdraw groundwater. The purpose of the HGCSD is to reduce groundwater withdrawals in Harris and Galveston Counties so as to limit future ground subsidence to acceptable levels. The current HGCSD Regulatory Plan requires a phased conversion to surface water by all groundwater permittees or groups of permittees within the area. The District is located in Area 3 of the HGCSD Regulatory Plan, and has, therefore, been required to have either a certified groundwater reduction plan ("GRP") on file with the HGCSD or to be part of a regional GRP; otherwise, the District risked being assessed a penalty of $9.00 per 1,000 gallons of water pumped. Additionally, all Area 3 permittees were required to begin construction of the infrastructure identified in the GRP by 2005, to reduce their groundwater withdrawals to 70% of their total annual water demand by 2010, to reduce their groundwater withdrawals to no more than 40% of their total annual water demand by 2025, and to reduce their groundwater withdrawals to no more than 20% of their total annual water demand by 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority currently is subject to a $9.00 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within 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 seek monetary or other penalties against the District.

The Authority was created in furtherance of the HGCSD's mandate to reduce groundwater pumpage and to convert to surface water. The Authority was granted the responsibility of developing a regional GRP for the groundwater permittees within its boundaries, including the District (the "Authority Permittees"). The Authority has also been charged with locating a source of surface water for the Authority Permittees and with developing and constructing the infrastructure needed to deliver the surface water to the Authority Permittees. The Authority has contracted to purchase surface water with the City of Houston and commenced construction of the infrastructure. In an effort to comply with these responsibilities, the Authority has incurred fees and expenses, which are passed on to each of the Authority Permittees through the assessment of a groundwater pumpage fee. The current fee is $3.85 per 1,000 gallons of water pumped; however, such fee will increase as more infrastructure is constructed and the District is required to pay its share of the capital costs to construct the infrastructure and to deliver surface water to the Authority Permittees as well as to pay for the costs of maintaining and operating the District's own water supply system. The Authority has to date issued $1,593,220,000 of revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority's project costs. The District is receiving surface water from the Authority pursuant to the terms of the Groundwater Transfer Agreement dated September 20, 2007, by and between the District and the Authority as an additional source of water. It has not yet determined to what ultimate extent the District may be converted to surface water. See "Additional Source of Water" above.

Wastewater Treatment

The District has constructed a 1,275,000 gallon per day ("gpd") wastewater treatment facility consisting of an above-ground circular treatment plant, a control and blower building, and wastewater lift station with portions of the proceeds of the sale of the Prior Bonds. The District's Engineer estimates that the wastewater treatment facilities are currently capable of serving approximately 4,811 ESFC. The wastewater treatment facilities can be operated by an emergency generator with an automatic transfer switch. The District has and maintains wastewater discharge permits from the TCEQ.

100-Year Flood Plain

According to the District's Engineer, the Federal Emergency Management Agency's ("FEMA") Flood Insurance Rate Map, ("FIRM") Community Panel No. 48201C0240L, dated June 18, 2007, shows no developable land in the District to be located within the designated 100-year floodplain.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

Stormwater Drainage

The District is located on the watershed divide between the Willow Creek Watershed and the Cypress Creek Watershed. Approximately 475 acres of the District's total 1,088.605 acres drain northward into Willow Creek. The Harris County Flood Control District ("HCFCD") regulates drainage in Harris County. An outfall drainage ditch was constructed in 1980 from the District to Willow Creek which was sized to provide outfall drainage capacity for the full development of 475 acres. This ditch was constructed in accordance with the plans approved by the HCFCD; however, final acceptance for maintenance by HCFCD was not completed. The District financed the rehabilitation of a portion of the existing outfall drainage ditch with a portion of the proceeds of the sale of the Prior Bonds.

Approximately 163 acres of the District, approximately 130 of which has been developed as the Northpointe East Subdivision, and approximately 33 acres of which are currently undeveloped, drain southward through Pillot Gully to Cypress Creek via the storm sewer system in the Texas Department of Transportation ("TxDOT") right-of-way of State Highway 249. Pillot Gully is an unimproved channel from the District boundary to Huffsmith-Kohrville Road. This natural channel would have required deepening and widening to provide adequate outfall drainage for development. However, the District financed a portion of the construction of a stormwater retention basin and stormwater pump station to serve the Northpointe East Subdivision with a portion of the proceeds of the sale of the Prior Bonds which avoided the necessity of downstream channel improvements and right-of-way acquisition. Stormwater effluent is pumped from the retention basin westward to the TxDOT storm sewer located along the frontage road of State Highway 249. From its confluence with the storm sewer in the TxDOT right-of-way, the storm water flows south in TxDOT's storm sewer to a discharge point into Pillot Gully.

Ashford Place subdivision drainage discharges from an onsite detention basin into an enclosed storm sewer and is conveyed south out of the District, through the adjoining Memorial Springs subdivision (Harris County Water Control and Improvement District No. 119) and into Pillot Gully.

Stormwater Detention

After the initial development of the District, the HCFCD imposed a requirement for stormwater detention facilities to be provided with new development in most watersheds in Harris County, including Willow Creek and Cypress Creek. By letter dated August 22, 1997, HCFCD confirmed that previous drainage improvements constructed with a portion of the proceeds of the Prior Bonds provided a stormwater detention credit of 21.7 acres. This credit was utilized for the development of Pinecrest Forest, Sections 1 and 2. The construction of onsite stormwater detention facilities is necessary to serve all remaining land within the District. The construction of the Pinecrest Forest Detention Basin, Phases 1 and 2, the Three Lakes East Detention Basin, the Three Lakes East, Section 4 Detention Basin, the Northpointe East Retention Basin, Phases 1 and 2, the Willow Falls, Stonepine, Ashford Place, Northern Point, Phase I and NewQuest Detention Basins was financed by the District with a portion of the proceeds of the sale of the Prior Bonds. The cost of detention facilities and drainage improvements to serve Northern Point is being financed with a portion of the proceeds of the sale of the Bonds.

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 secured by the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, (2) the Bonds are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and (3) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "TAX EXEMPTION" below. 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.

In its capacity as Bond Counsel, Johnson Petrov LLP has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except "Book-Entry-Only System"), "THE DISTRICT - Authority," - "Management of the District - Counsel," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," "TAX EXEMPTION," "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes the law and documents referred to therein. Bond Counsel has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

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

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon or the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of an legal dispute that may arise out of the transaction. Such opinions are based on existing law, which is subject to change. Such opinions are further based on the attorneys' knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any change in law that may thereafter occur or become effective.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or, to their knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment, and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

No Material Adverse Change

The obligations of the Underwriter to take up 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 financial condition of the District from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

TAX EXEMPTION

In the opinion of Johnson Petrov LLP, Houston, Texas, Bond Counsel, interest on the Bonds is (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) is not includable in the alternative minimum taxable income of individuals.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants of the Bond Order and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Bond Order, or if its representations relating to the Bonds that are contained in the Bond Order should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS

Discount Bonds

Some of the Bonds are offered at an initial offering price which is less than the stated redemption price payable at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, an initial owner who purchases the Bonds of that maturity (the "Discount Bonds") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption "TAX EXEMPTION" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bond and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX EXEMPTION" for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the District. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such 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 Discount Bonds.

Premium Bonds

Some of the Bonds are offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of such maturity ("Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made by the District as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." 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.

The District's audited financial statements for the year ended May 31, 2019, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement.

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" and "THE SYSTEM" has been provided by IDS Engineering Group

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's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the persons 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, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" and "TAX DATA" and in "APPENDIX B" (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

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

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

Event Notices

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

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system 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 to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, 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 SEC Rule 15c2-12, taking into account any amendments or interpretations of such 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 Resolution if the SEC amends or repeals the applicable provisions of such 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

The District's filing due on November 30, 2014, was timely filed but did not contain all required information. The District made a supplemental filing on April 25, 2017, and filed the appropriate notice of non-compliance. The District's filings due on November 30 in each of the years 2015 through 2018 were complete and timely made, except that notice of the downgrade and subsequent withdrawal of the insured S&P rating on the District's Series 2017 Refunding Bonds, which are insured by National Public Finance Guaranty Corporation, was not timely filed. Notice of such downgrade and withdrawal has now been filed with the MSRB.

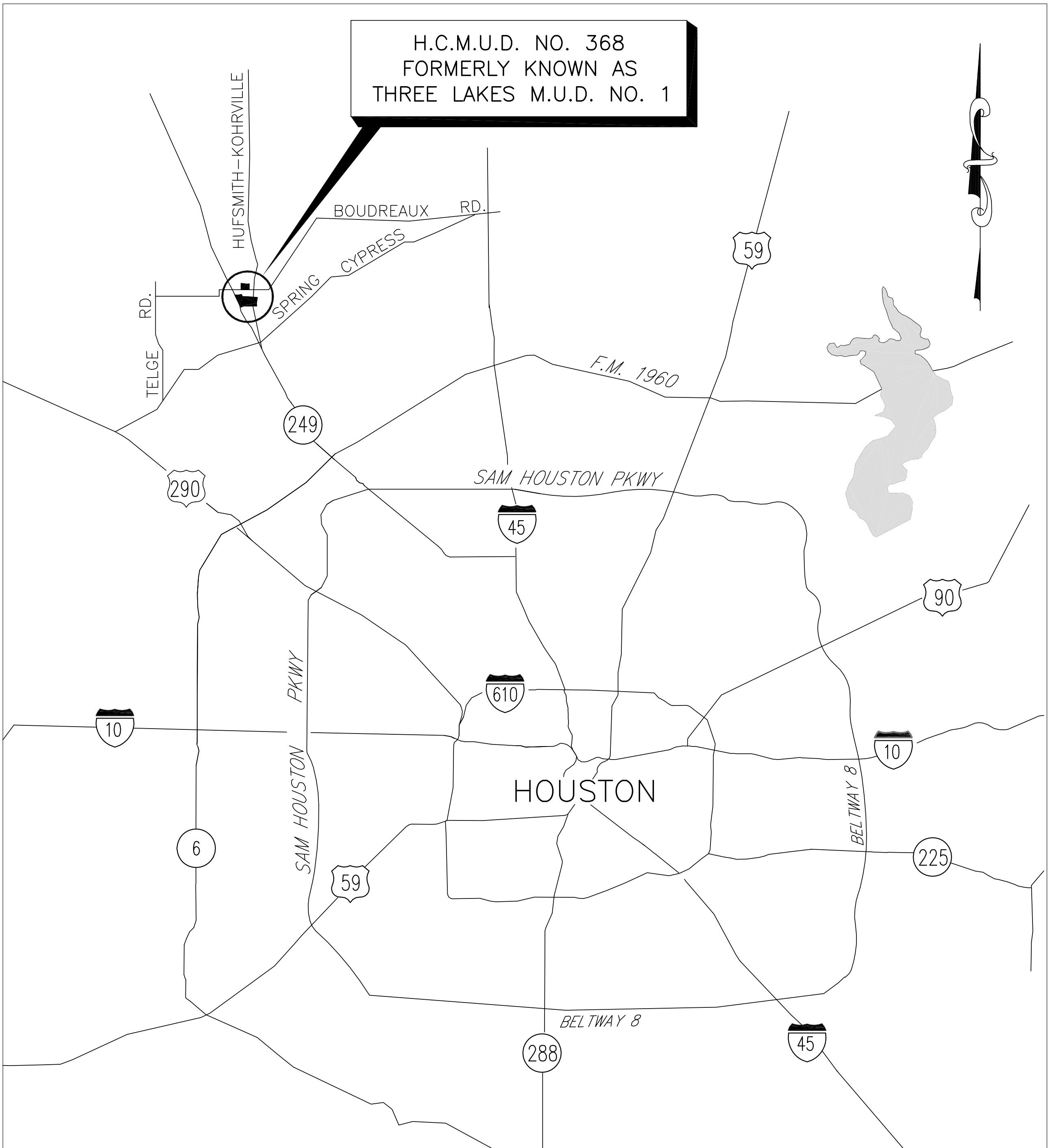
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 368 as of the date shown on the first page hereof.

/s/ Roy P. Lackey
President, Board of Directors
Harris County Municipal Utility District No. 368

ATTEST:

/s/ Sharon L. Cook
Secretary, Board of Directors
Harris County Municipal Utility District No. 368

APPENDIX A
LOCATION MAP



LOCATION MAP
HARRIS COUNTY M.U.D. No. 368
(FORMERLY KNOWN AS THREE LAKES M.U.D. NO. 1)

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 368
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 368 (the "District"), as of and for the year ended May 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.

Board of Directors
Harris County Municipal Utility District No. 368

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 5, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

Management's discussion and analysis of Harris County Municipal Utility District No. 368's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 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 provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

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

FUND FINANCIAL STATEMENTS

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

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 Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by $1,774,751 as of May 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 13,898,015	$ 13,628,407	$ 269,608
Capital Assets (Net of Accumulated Depreciation)	38,045,603	38,686,231	(640,628)
Total Assets	$ 51,943,618	$ 52,314,638	$ (371,020)
Deferred Outflows of Resources	$ 2,058,662	$ 2,209,853	$ (151,191)
Due to Developer	$ 511,677	$	$ (511,677)
Bonds Payable	53,767,949	55,675,768	1,907,819
Other Liabilities	1,497,405	1,592,999	95,594
Total Liabilities	$ 55,777,031	$ 57,268,767	$ 1,491,736
Net Position:			
Net Investment in Capital Assets	$ (13,948,959)	$ (14,416,977)	$ 468,018
Restricted	6,319,894	6,111,116	208,778
Unrestricted	5,854,314	5,561,585	292,729
Total Net Position	$ (1,774,751)	$ (2,744,276)	$ 969,525

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

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 4,999,029	$ 4,842,294	$ 156,735
Charges for Services	4,449,591	4,255,373	194,218
Other Revenues	487,094	395,719	91,375
Total Revenues	$ 9,935,714	$ 9,493,386	$ 442,328
Expenses for Services	8,966,189	10,234,718	1,268,529
Change in Net Position	$ 969,525	$ (741,332)	$ 1,710,857
Net Position, Beginning of Year	(2,744,276)	(2,002,944)	(741,332)
Net Position, End of Year	$ (1,774,751)	$ (2,744,276)	$ 969,525

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2019, were $12,099,206, an increase of $387,554 from the prior year. The General Fund fund balance increased by $324,875, primarily due to tax and service revenues exceeding capital expenditures and the costs of operating and maintaining the District's systems. The Debt Service Fund fund balance increased by $198,984, primarily due to the structure of the District's outstanding debt. The Capital Projects Fund fund balance decreased by $136,305. The District used surplus bond proceeds to reimburse the General Fund for costs paid for automatic read meters.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $396,312 more than budgeted revenues primarily due to service, property tax and investment revenues being higher than estimated. Actual expenditures were $507,860 more than budgeted expenditures as a result of most categories of expenditures exceeding budgeted amounts (see budget to actual comparison for further detail).

CAPITAL ASSETS

Capital assets as of May 31, 2019, total $38,045,603 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. The District purchased and installed various equipment at the District's plants and completed water plant and wastewater treatment plant rehabilitation. A developer, on behalf of the District, paid for land and the construction of utilities to serve Ashford Grove East, Section 2.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 2,833,634	$ 2,572,300	$ 261,334
Construction in Progress	359,237	318,995	40,242
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	314,006	324,851	(10,845)
Water System	10,481,326	10,725,474	(244,148)
Wastewater System	12,289,571	12,676,529	(386,958)
Drainage System	11,767,829	12,068,082	(300,253)
Total Net Capital Assets	$ 38,045,603	$ 38,686,231	$ (640,628)

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of $52,465,000. The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	$ 54,255,000
Less: Bond Principal Paid	1,790,000
Bond Debt Payable, May 31, 2019	$ 52,465,000

The District carries an underlying rating of "BBB+/A3". The Series 2010 and 2012 refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Refunding, 2013A Refunding, Series 2015 Refunding and Series 2015A Refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 and Series 2017 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2017 refunding bonds carry an insured rating of "A3" by virtue of bond insurance issued by National Public Finance Guarantee Corporation. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect rating changes, if any, during the fiscal year ended May 31, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 368, c/o Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 551,549	$ 282,728
Investments	5,046,278	6,454,385
Receivables:		
Property Taxes	16,492	64,993
Penalty and Interest on Delinquent Taxes		
Service Accounts	345,709	
Accrued Interest	10,038	25,353
Builder Damages	3,939	
City of Houston	50,920	
Due from Other Funds		3,707
Prepaid Costs	98,427	
Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 6,123,352	$ 6,831,166
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 6,123,352	$ 6,831,166

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 315	$ 834,592	$	$ 834,592
226,087	11,726,750		11,726,750
	81,485		81,485
		17,410	17,410
	345,709		345,709
	35,391		35,391
	3,939		3,939
	50,920		50,920
	3,707	(3,707)	
	98,427	297,871	396,298
		405,521	405,521
		2,833,634	2,833,634
		359,237	359,237
		34,852,732	34,852,732
$ 226,402	$ 13,180,920	$ 38,762,698	$ 51,943,618
$ -0-	$ -0-	$ 2,058,662	$ 2,058,662
$ 226,402	$ 13,180,920	$ 40,821,360	$ 54,002,280

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 384,016	$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds	3,707	
Due to Taxpayers		27,799
Security Deposits	584,707	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 972,430	$ 27,799
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 16,492	$ 64,993
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 98,427	$
Restricted for Authorized Construction		
Restricted for Debt Service		6,738,374
Unassigned	5,036,003	
TOTAL FUND BALANCES	$ 5,134,430	$ 6,738,374
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 6,123,352	$ 6,831,166
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 384,016	$	$ 384,016
		500,883	500,883
		511,677	511,677
	3,707	(3,707)	
	27,799		27,799
	584,707		584,707
		1,870,000	1,870,000
		51,897,949	51,897,949
$ -0-	$ 1,000,229	$ 54,776,802	$ 55,777,031
$ -0-	$ 81,485	$ (81,485)	$ -0-
$	$ 98,427	$ (98,427)	$
226,402	226,402	(226,402)	
	6,738,374	(6,738,374)	
	5,036,003	(5,036,003)	
$ 226,402	$ 12,099,206	$ (12,099,206)	$ - 0 -
$ 226,402	$ 13,180,920		
		$ (13,948,959)	$ (13,948,959)
		6,319,894	6,319,894
		5,854,314	5,854,314
		$ (1,774,751)	$ (1,774,751)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balances - Governmental Funds		$ 12,099,206
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		2,058,662
Prepaid bond insurance is amortized over the repayment period of the bonds in governmental activities.		297,871
Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		405,521
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		38,045,603
Governmental funds do not record a long-term liability to the Developer for completed projects. However, in the Statement of Net Position, the liability for completed projects is recorded.		(511,677)
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.		98,895
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:		
Bonds Payable	$ (53,767,949)	
Accrued Interest Payable	(500,883)	(54,268,832)
Total Net Position - Governmental Activities		$ (1,774,751)

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 1,071,703	$ 3,929,199
Water Service	883,004	
Wastewater Service	1,924,861	
Water Authority Fees	1,254,498	
Penalty and Interest	86,771	27,831
Connection, Inspection, and Transfer Fees	120,711	
Security Revenues	154,360	
Sales Tax Revenues	172,397	
Water Authority Credits	32,905	
Investment and Miscellaneous Revenues	109,002	175,083
TOTAL REVENUES	$ 5,810,212	$ 4,132,113
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 353,509	$ 8,074
Contracted Services	1,854,820	96,194
Purchased Water Service	974,935	
Utilities	249,368	
Water Authority Assessments	228,751	
Repairs and Maintenance	978,464	
Depreciation		
Other	424,533	7,742
Capital Outlay	420,957	
Debt Service:		
Bond Principal		1,790,000
Bond Interest		2,031,119
TOTAL EXPENDITURES/EXPENSES	$ 5,485,337	$ 3,933,129
NET CHANGE IN FUND BALANCES	$ 324,875	$ 198,984
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2018	4,809,555	6,539,390
FUND BALANCES/NET POSITION - MAY 31, 2019	$ 5,134,430	$ 6,738,374

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 5,000,902	$ (1,873)	$ 4,999,029
	883,004		883,004
	1,924,861		1,924,861
	1,254,498		1,254,498
	114,602	(2,445)	112,157
	120,711		120,711
	154,360		154,360
	172,397		172,397
	32,905	(8,088)	24,817
5,795	289,880		289,880
$ 5,795	$ 9,948,120	$ (12,406)	$ 9,935,714
$	$ 361,583	$	$ 361,583
50	1,951,064		1,951,064
	974,935		974,935
	249,368		249,368
	228,751		228,751
142,050	1,120,514		1,120,514
		1,573,262	1,573,262
	432,275		432,275
	420,957	(420,957)	
	1,790,000	(1,790,000)	
	2,031,119	43,318	2,074,437
$ 142,100	$ 9,560,566	$ (594,377)	$ 8,966,189
$ (136,305)	$ 387,554	$ (387,554)	$
		969,525	969,525
362,707	11,711,652	(14,455,928)	(2,744,276)
$ 226,402	$ 12,099,206	$ (13,873,957)	$ (1,774,751)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019

Net Change in Fund Balances - Governmental Funds	$	387,554
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(1,873)
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.		(2,445)
In the government-wide financial statements, the return of principal portion of the reimbursement for chloramine conversion costs paid in a prior fiscal year reduces the long-term receivable balance.		(8,088)
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.		(1,573,262)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets owned and maintained by the District are increased by new purchases.		420,957
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.		1,790,000
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.		(43,318)
Change in Net Position - Governmental Activities	$	969,525

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

NOTE 1. CREATION OF DISTRICT

Three Lakes Municipal Utility District No. 1 was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"), effective December 31, 1973. On October 17, 1997, the Commission (formerly, the Texas Natural Resource Conservation Commission) approved for the District to change its name to Harris County Municipal Utility District No. 368. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 11, 1974, and the first bonds were sold on May 5, 1982.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

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

Government-Wide Financial Statements

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

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

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2019, the General Fund owed the Debt Service Fund $1,517 for the over transfer of maintenance tax collections and the General Fund owed the Debt Service Fund $2,190 for costs related to the Series 2018 Refunding Bonds.

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 fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Equipment	3-40
Water, Wastewater and Drainage Systems	10-45

Budgeting

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

Pensions

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2010	Refunding Series 2012	Series 2012
Amounts Outstanding – May 31, 2019	$ 410,000	$ 8,525,000	$ 4,600,000
Interest Rates	4.00%	2.75% - 4.00%	2.50% - 4.10%
Maturity Dates – Serially Beginning/Ending	September 1, 2019	September 1, 2019/2032	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2019 *	September 1, 2019 *

	Refunding Series 2013	Refunding Series 2013A	Series 2014
Amounts Outstanding – May 31, 2019	$ 6,870,000	$ 3,690,000	$2,450,000
Interest Rates	3.00% - 4.00%	3.00% - 4.00%	4.00% - 6.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2033	September 1, 2019/2024	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020 *	September 1, 2020 *	September 1, 2021 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued to the date fixed for redemption. Series 2012 Refunding term bonds maturing September 1, 2023, and September 1, 2027 are subject to mandatory redemption beginning September 1, 2022, and September 1, 2024, respectively. Series 2012 term bonds maturing September 1, 2024, September 1, 2027, September 1, 2032, September 1, 2036, and September 1, 2039 are subject to mandatory redemption beginning September 1, 2022, September 1, 2025, September 1, 2028, September 1, 2033 and September 1, 2037, respectively. Series 2014 term bonds maturing September 1, 2028, September 1, 2031, September 1, 2034, and September 1, 2037 are subject to mandatory redemption beginning September 1, 2025, September 1, 2029, September 1, 2032, and September 1, 2035, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2015	Refunding Series 2015A
Amounts Outstanding – May 31, 2019	$ 7,490,000	$ 7,535,000
Interest Rates	3.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2034	September 1, 2019/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022 *	September 1, 2022 *

	Refunding Series 2017	Series 2017
Amounts Outstanding – May 31, 2019	$ 9,065,000	$ 1,830,000
Interest Rates	2.00% - 4.00%	3.00% - 3.375%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2030	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024 *	September 1, 2024 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued to the date fixed for redemption. Series 2015A term bonds maturing September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032 and September 1, 2034 are subject to mandatory redemption beginning September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031 and September 1, 2033, respectively. Series 2017 term bonds maturing September 1, 2027, September 1, 2032, and September 1, 2037 are subject to mandatory redemption beginning September 1, 2025, September 1, 2028 and September 1, 2033, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

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

	June 1, 2018	Additions	Retirements	May 31, 2019
Bonds Payable	$ 54,255,000	$	$ 1,790,000	$ 52,465,000
Unamortized Discounts	(251,541)		(13,751)	(237,790)
Unamortized Premiums	1,672,309		131,570	1,540,739
Bonds Payable, Net	$ 55,675,768	$ -0-	$ 1,907,819	$ 53,767,949

Amount Due Within One Year	$ 1,870,000
Amount Due After One Year	51,897,949
Bonds Payable, Net	$ 53,767,949

As of May 31, 2019, the District has authorized but unissued bonds in the amount of $25,710,000 for utility facilities and refunding bond authorization of one and one-half times the amount of bonds outstanding at any given time. 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. As of May 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 1,870,000	$ 1,971,807	$ 3,841,807
2021	1,945,000	1,911,281	3,856,281
2022	2,010,000	1,850,381	3,860,381
2023	2,055,000	1,783,413	3,838,413
2024	2,120,000	1,712,576	3,832,576
2025-2029	11,895,000	7,320,723	19,215,723
2030-2034	14,805,000	4,725,903	19,530,903
2035-2039	13,440,000	1,713,781	15,153,781
2040	2,325,000	48,063	2,373,063
	$ 52,465,000	$ 23,037,928	$ 75,502,928

During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of $0.55 per $100 of assessed valuation, which resulted in a tax levy of $3,939,487 on the adjusted taxable valuation of $716,270,214 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.

NOTE 3. LONG-TERM DEBT (Continued)

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 earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on every fifth-year anniversary date 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 will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $4,194,592 and the bank balance was $4,309,970. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 551,549	$ 1,200,000	$ 1,751,549
DEBT SERVICE FUND	282,728	2,160,000	2,442,728
CAPITAL PROJECTS FUND	315		315
TOTAL DEPOSITS	$ 834,592	$ 3,360,000	$ 4,194,592

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.

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District records its investments in certificates of deposit at acquisition cost. As of May 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 3,846,278	$ 3,846,278
Certificates of Deposit	1,200,000	1,200,000
DEBT SERVICE FUND		
Texas CLASS	4,294,385	4,294,385
Certificates of Deposit	2,160,000	2,160,000
CAPITAL PROJECTS FUND		
TexPool	226,087	226,087
TOTAL INVESTMENTS	$ 11,726,750	$ 11,726,750

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2019, the District's investments in TexPool and Texas CLASS were rated AAAm by Standard and Poor's. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

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

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 2,572,300	$ 261,334	$	$ 2,833,634
Construction in Progress	318,995	932,634	892,392	359,237
Total Capital Assets Not Being Depreciated	$ 2,891,295	$ 1,193,968	$ 892,392	$ 3,192,871
Capital Assets Subject to Depreciation				
Building and Equipment	$ 441,673	$	$	$ 441,673
Water System	17,989,695	382,600		18,372,295
Wastewater System	20,811,817	181,546		20,993,363
Drainage System	17,176,937	66,912		17,243,849
Total Capital Assets Subject to Depreciation	$ 56,420,122	$ 631,058	$ - 0 -	$ 57,051,180
Less Accumulated Depreciation				
Building and Equipment	$ 116,822	$ 10,845	$	$ 127,667
Water System	7,264,221	626,748		7,890,969
Wastewater System	8,135,288	568,504		8,703,792
Drainage System	5,108,855	367,165		5,476,020
Total Accumulated Depreciation	$ 20,625,186	$ 1,573,262	$ - 0 -	$ 22,198,448
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 35,794,936	$ (942,204)	$ - 0 -	$ 34,852,732
Total Capital Assets, Net of Accumulated Depreciation	$ 38,686,231	$ 251,764	$ 892,392	$ 38,045,603

NOTE 7. MAINTENANCE TAX

At an election held on April 7, 1979, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.00 per $100 of assessed valuation of taxable property within the District. During the year ended May 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 $1,074,406 on the adjusted taxable valuation of $716,270,214 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay the costs of operating the District's waterworks and sanitary sewer system or any other lawful purpose.

NOTE 8. EMERGENCY WATER SUPPLY AGREEMENT

On October 19, 1982, the District and Northwest Harris County Municipal Utility District No. 15 entered into an emergency water supply agreement. The agreement was amended on March 3, 1997, November 29, 2005, and March 15, 2012. The cost of the interconnect was shared equally by both districts. The charge for service to either district in effect per the most recent amendment to the contract is $1.00 per 1,000 gallons of water plus any regulatory agency fees, including the pumpage fee imposed by the North Harris County Regional Water Authority. At such time as one or both districts convert to surface water, the rate will be the cost of surface water plus ten percent. The term of the contract is 40 years.

NOTE 9. 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 from 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 10. 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 75^{th} 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 is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current pumpage fee is $3.85 per 1,000 gallons of water pumped from each well. The District recorded expenditures of $228,751 for pumpage fees assessed during the current fiscal year. The District also purchased surface water from the Authority at a total cost of $974,935 during the current fiscal year. The current surface water rate is $4.30 per 1,000 gallons.

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority’s system. The District has completed its chloramine conversion system. The District’s reimbursable cost of this system was $452,933. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the July 2012 Authority billing. Total credits

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (Continued)

received in the current fiscal year were $32,905. Of this amount, $8,088 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	$ 8,574	$ 24,331	$ 32,905
2021	9,088	23,817	32,905
2022	9,633	23,272	32,905
2023	10,212	22,694	32,906
2024	10,824	22,081	32,905
2025-2029	64,678	99,847	164,525
2030-2034	86,554	77,972	164,526
2035-2039	115,828	48,697	164,525
2040-2043	90,130	11,330	101,460
	$ 405,521	$ 354,041	$ 759,562

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 24, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. This agreement was amended on November 22, 2013. This agreement has been subsequently amended. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the 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 one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City is required to deliver 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 fiscal year ended May 31, 2019, the District received sales tax revenues of $172,397. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 12. UNREIMBURSED COSTS

The District has executed development financing agreements which, from time to time, call for the developers to fund costs associated with water, sewer and drainage facilities. Reimbursement to the developers will come from proceeds of future bond sales, subject to the approval of the Commission, or available surplus funds.

NOTE 13. SUBSEQUENT EVENT - BOND SALE

On August 1, 2019, subsequent to year-end, the District closed on the sale of its $11,725,000 Series 2019 Unlimited Tax Refunding Bonds. Proceeds of the bonds, plus $195,000 in available District funds, were used to refund $4,400,000 of the Series 2012 Bonds with interest rates of 3.30% to 4.10%, maturity dates of 2023-2039, and a redemption date of September 1, 2019, and to refund $6,830,000 of the Series 2012 Refunding Bonds with interest rates of 3.50% to 4.00%, maturity dates of 2024-2032, and a redemption date of September 1, 2019. The refunding resulted in gross debt service savings of $1,024,038 and net present value savings of $735,757.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED MAY 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 1,010,000	$ 1,071,703	$ 61,703
Water Service	895,000	883,004	(11,996)
Wastewater Service	1,800,000	1,924,861	124,861
Water Authority Fees	1,220,000	1,254,498	34,498
Penalty and Interest	68,000	86,771	18,771
Connection, Inspection, and Transfer Fees	114,500	120,711	6,211
Security Revenues	130,000	154,360	24,360
Sales Tax Revenues	140,000	172,397	32,397
Investment and Miscellaneous Revenues	36,400	141,907	105,507
TOTAL REVENUES	$ 5,413,900	$ 5,810,212	$ 396,312
EXPENDITURES			
Services Operations:			
Professional Fees	$ 220,800	$ 353,509	$ (132,709)
Contracted Services	1,770,460	1,854,820	(84,360)
Utilities	209,499	249,368	(39,869)
Water Authority Costs	1,097,500	1,203,686	(106,186)
Repairs and Maintenance	802,158	978,464	(176,306)
Other	532,060	424,533	107,527
Capital Outlay	345,000	420,957	(75,957)
TOTAL EXPENDITURES	$ 4,977,477	$ 5,485,337	$ (507,860)
NET CHANGE IN FUND BALANCE	$ 436,423	$ 324,875	$ (111,548)
FUND BALANCE - JUNE 1, 2018	4,809,555	4,809,555	
FUND BALANCE - MAY 31, 2019	$ 5,245,978	$ 5,134,430	$ (111,548)

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

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

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection	X	Security
X	Solid Waste/Garbage		Flood Control		Roads

_______ 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 effective February 1, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 15.00	5,000	N	$ 1.75	5,001 to 10,000
				$ 2.00	10,001 to 20,000
				$ 2.50	20,001 to 30,000
				$ 3.00	30,001 and up
WASTEWATER:	$ 41.61		Y		
SURCHARGE:					
Regional Water Authority Fees	$4.61 per 1,000 gallons used (Current surface water fee plus 7%)				

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

Total monthly charges per 10,000 gallons usage: Water: $23.75 Wastewater: $41.61 Surcharge: $46.10

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	3,825	3,825	x 1.0	3,825
1"	14	14	x 2.5	35
1½"	4	4	x 5.0	20
2"	31	31	x 8.0	248
3"			x 15.0	
4"	6	6	x 25.0	150
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	3,880	3,880		4,278
Total Wastewater Connections	3,798	3,798	x 1.0	3,798

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

Gallons pumped into system:	64,639,000	Water Accountability Ratio: 94% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	301,762,000	
Gallons purchased:	257,636,000	From: North Harris County Regional Water Authority

See accompanying independent auditor's report.

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _X_ No ___

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

PROFESSIONAL FEES:		
Auditing	$	21,000
Engineering		212,226
Legal		120,283
TOTAL PROFESSIONAL FEES	$	353,509
PURCHASED WATER SERVICE	$	974,935
CONTRACTED SERVICES:		
Appraisal District	$	20,996
Bookkeeping		40,200
Operations and Billing		243,923
Security		823,146
Waste Disposal/Recycling		726,555
TOTAL CONTRACTED SERVICES	$	1,854,820
UTILITIES	$	249,368
REPAIRS AND MAINTENANCE	$	978,464
ADMINISTRATIVE EXPENDITURES:		
Bank Charges	$	11,856
Director Fees, Including Payroll Taxes		26,828
Insurance		37,503
Office Supplies and Postage		71,184
Travel and Meetings		8,607
Website Hosting		6,537
TOTAL ADMINISTRATIVE EXPENDITURES	$	162,515
CAPITAL OUTLAY	$	420,957
OTHER EXPENDITURES:		
Chemicals	$	82,884
Laboratory Fees		6,018
Permit Fees		13,308
Connection, Inspection, and Reconnection Fees		69,070
Water Authority Assessments		228,751
Regulatory Assessment		13,993
Sludge Hauling		57,965
Other		18,780
TOTAL OTHER EXPENDITURES	$	490,769
TOTAL EXPENDITURES	$	5,485,337

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
INVESTMENTS
MAY 31, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 3,846,278	$
Certificate of Deposit	XXXX0627	2.65%	05/27/20	240,000	70
Certificate of Deposit	XXXX0407	2.60%	03/06/20	240,000	1,435
Certificate of Deposit	XXXX5618	2.45%	11/28/19	240,000	2,964
Certificate of Deposit	XXXX0254	2.42%	11/28/19	240,000	2,928
Certificate of Deposit	XXXX2990	2.75%	01/05/20	240,000	2,641
TOTAL GENERAL FUND				$ 5,046,278	$ 10,038
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 4,294,385	$
Certificate of Deposit	XXXX6068	2.45%	08/14/19	240,000	4,672
Certificate of Deposit	XXXX0320	2.75%	02/13/20	240,000	1,935
Certificate of Deposit	XXXX3888	2.40%	08/16/19	240,000	4,545
Certificate of Deposit	XXXX2217	2.65%	02/08/20	240,000	1,951
Certificate of Deposit	XXXX5351	2.70%	02/11/20	240,000	1,935
Certificate of Deposit	XXXX1950	2.71%	02/11/20	240,000	1,942
Certificate of Deposit	XXXX3234	2.60%	02/09/20	240,000	1,898
Certificate of Deposit	XXXX0105	2.40%	08/15/19	240,000	4,560
Certificate of Deposit	XXXX2225	2.60%	02/08/20	240,000	1,915
TOTAL DEBT SERVICE FUND				$ 6,454,385	$ 25,353
CAPITAL PROJECTS FUND					
TexPool	XXXX0007	Varies	Daily	$ 129,544	$
TexPool	XXXX0010	Varies	Daily	96,543	
TOTAL CAPITAL PROJECTS FUND				$ 226,087	$ - 0 -
TOTAL - ALL FUNDS				$ 11,726,750	$ 35,391

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2018	$ 16,810		$ 66,548	
Adjustments to Beginning Balance	(3,021)	$ 13,789	(11,843)	$ 54,705
Original 2018 Tax Levy	$ 983,853		$ 3,607,461	
Adjustment to 2018 Tax Levy	90,553	1,074,406	332,026	3,939,487
TOTAL TO BE ACCOUNTED FOR		$ 1,088,195		$ 3,994,192
TAX COLLECTIONS:				
Prior Years	$ 7,755		$ 28,058	
Current Year	1,063,948	1,071,703	3,901,141	3,929,199
TAXES RECEIVABLE - MAY 31, 2019		$ 16,492		$ 64,993
TAXES RECEIVABLE BY YEAR:				
2018		$ 10,458		$ 38,346
2017		1,730		6,344
2016		1,182		4,898
2015		909		3,878
2014		729		3,498
2013		538		2,914
2012		464		2,516
2011		225		1,149
2010		118		664
2009		139		786
TOTAL		$ 16,492		$ 64,993

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	$ 153,046,796	$ 148,919,490	$ 143,249,593	$ 136,623,005
Improvements	599,813,489	590,740,825	573,532,231	525,169,482
Personal Property	32,598,878	27,727,162	27,706,479	23,845,810
Exemptions	(69,188,949)	(75,177,748)	(89,905,121)	(98,126,919)
TOTAL PROPERTY VALUATIONS	$ 716,270,214	$ 692,209,729	$ 654,583,182	$ 587,511,378
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.55	$ 0.55	$ 0.58	$ 0.64
Maintenance	0.15	0.15	0.14	0.15
TOTAL TAX RATES PER $100 VALUATION	$ 0.70	$ 0.70	$ 0.72	$ 0.79
ADJUSTED TAX LEVY*	$ 5,013,893	$ 4,845,470	$ 4,712,999	$ 4,641,340
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.03 %	99.83 %	99.87 %	99.90 %

* 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 $1.00 per $100 of assessed valuation approved by voters on April 7, 1979.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES - 2010		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 410,000	$ 8,200	$ 418,200
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
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	$ 410,000	$ 8,200	$ 418,200

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES-2012		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 420,000	$ 324,325	$ 744,325
2021	430,000	307,325	737,325
2022	455,000	289,625	744,625
2023	195,000	277,844	472,844
2024	195,000	272,481	467,481
2025	35,000	269,188	304,188
2026	35,000	267,962	302,962
2027	35,000	266,738	301,738
2028	575,000	256,062	831,062
2029	595,000	234,100	829,100
2030	620,000	209,800	829,800
2031	865,000	180,100	1,045,100
2032	1,995,000	122,900	2,117,900
2033	2,075,000	41,500	2,116,500
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	$ 8,525,000	$ 3,319,950	$ 11,844,950

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	SERIES - 2012		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 50,000	$ 183,425	$ 233,425
2021	50,000	182,125	232,125
2022	50,000	180,700	230,700
2023	50,000	179,125	229,125
2024	50,000	177,475	227,475
2025	50,000	175,825	225,825
2026	50,000	174,088	224,088
2027	50,000	172,262	222,262
2028	50,000	170,438	220,438
2029	50,000	168,525	218,525
2030	50,000	166,525	216,525
2031	75,000	164,025	239,025
2032	75,000	161,025	236,025
2033	75,000	158,025	233,025
2034	75,000	155,025	230,025
2035	75,000	152,025	227,025
2036	75,000	149,025	224,025
2037	75,000	146,025	221,025
2038	1,100,000	121,975	1,221,975
2039	1,175,000	75,337	1,250,337
2040	1,250,000	25,625	1,275,625
	$ 4,600,000	$ 3,238,625	$ 7,838,625

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES - 2013		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 15,000	$ 264,000	$ 279,000
2021	20,000	263,475	283,475
2022	20,000	262,875	282,875
2023	295,000	257,412	552,412
2024	315,000	246,738	561,738
2025	325,000	235,537	560,537
2026	340,000	223,900	563,900
2027	360,000	211,650	571,650
2028	370,000	198,875	568,875
2029	395,000	184,500	579,500
2030	410,000	168,400	578,400
2031	430,000	151,600	581,600
2032	450,000	134,000	584,000
2033	475,000	115,500	590,500
2034	2,650,000	53,000	2,703,000
2035			
2036			
2037			
2038			
2039			
2040			
	$ 6,870,000	$ 2,971,462	$ 9,841,462

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES-2013A		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 580,000	$ 121,150	$ 701,150
2021	590,000	103,600	693,600
2022	605,000	85,675	690,675
2023	620,000	64,200	684,200
2024	635,000	39,100	674,100
2025	660,000	13,200	673,200
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
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2040			
	$ 3,690,000	$ 426,925	$ 4,116,925

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	SERIES - 2014		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 25,000	$ 114,188	$ 139,188
2021	25,000	112,687	137,687
2022	25,000	111,187	136,187
2023	25,000	109,688	134,688
2024	25,000	108,188	133,188
2025	25,000	106,813	131,813
2026	25,000	105,687	130,687
2027	25,000	104,688	129,688
2028	50,000	103,188	153,188
2029	50,000	101,187	151,187
2030	50,000	99,125	149,125
2031	50,000	97,000	147,000
2032	50,000	94,875	144,875
2033	50,000	92,687	142,687
2034	50,000	90,437	140,437
2035	50,000	88,187	138,187
2036	50,000	85,906	135,906
2037	50,000	83,594	133,594
2038	550,000	69,719	619,719
2039	575,000	43,344	618,344
2040	625,000	14,844	639,844
	$ 2,450,000	$ 1,937,219	$ 4,387,219

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES-2015		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 225,000	$ 275,725	$ 500,725
2021	235,000	268,825	503,825
2022	245,000	261,625	506,625
2023	245,000	254,275	499,275
2024	535,000	242,575	777,575
2025	565,000	226,075	791,075
2026	220,000	213,200	433,200
2027	225,000	204,300	429,300
2028	235,000	195,100	430,100
2029	240,000	185,600	425,600
2030	250,000	175,800	425,800
2031	265,000	165,500	430,500
2032	270,000	154,800	424,800
2033	280,000	143,800	423,800
2034	325,000	131,700	456,700
2035	3,130,000	62,600	3,192,600
2036			
2037			
2038			
2039			
2040			
	$ 7,490,000	$ 3,161,500	$ 10,651,500

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES - 2015A		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 145,000	$ 282,331	$ 427,331
2021	140,000	279,481	419,481
2022	140,000	276,681	416,681
2023	140,000	273,181	413,181
2024	135,000	269,056	404,056
2025	135,000	265,007	400,007
2026	135,000	260,957	395,957
2027	135,000	256,907	391,907
2028	135,000	252,772	387,772
2029	130,000	248,631	378,631
2030	130,000	244,000	374,000
2031	130,000	238,800	368,800
2032	135,000	233,500	368,500
2033	130,000	228,200	358,200
2034	130,000	223,000	353,000
2035	130,000	217,800	347,800
2036	2,610,000	163,000	2,773,000
2037	2,770,000	55,400	2,825,400
2038			
2039			
2040			
	$ 7,535,000	$ 4,268,704	$ 11,803,704

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	REFUNDING SERIES - 2017		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$	$ 339,250	$ 339,250
2021	425,000	335,000	760,000
2022	445,000	324,075	769,075
2023	460,000	310,500	770,500
2024	205,000	300,525	505,525
2025	375,000	291,825	666,825
2026	1,460,000	257,000	1,717,000
2027	1,515,000	197,500	1,712,500
2028	1,040,000	146,400	1,186,400
2029	1,075,000	104,100	1,179,100
2030	1,120,000	60,200	1,180,200
2031	945,000	18,900	963,900
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	$ 9,065,000	$ 2,685,275	$ 11,750,275

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	S E R I E S - 2 0 1 7		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$	$ 59,213	$ 59,213
2021	30,000	58,763	88,763
2022	25,000	57,938	82,938
2023	25,000	57,188	82,188
2024	25,000	56,438	81,438
2025	25,000	55,688	80,688
2026	25,000	54,937	79,937
2027	25,000	54,187	79,187
2028	25,000	53,437	78,437
2029	25,000	52,687	77,687
2030	25,000	51,937	76,937
2031	25,000	51,187	76,187
2032	25,000	50,437	75,437
2033	25,000	49,687	74,687
2034	25,000	48,906	73,906
2035	25,000	48,094	73,094
2036	50,000	46,875	96,875
2037	50,000	45,250	95,250
2038	450,000	37,125	487,125
2039	450,000	22,500	472,500
2040	450,000	7,594	457,594
	$ 1,830,000	$ 1,020,068	$ 2,850,068

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	$ 1,870,000	$ 1,971,807	$ 3,841,807
2021	1,945,000	1,911,281	3,856,281
2022	2,010,000	1,850,381	3,860,381
2023	2,055,000	1,783,413	3,838,413
2024	2,120,000	1,712,576	3,832,576
2025	2,195,000	1,639,158	3,834,158
2026	2,290,000	1,557,731	3,847,731
2027	2,370,000	1,468,232	3,838,232
2028	2,480,000	1,376,272	3,856,272
2029	2,560,000	1,279,330	3,839,330
2030	2,655,000	1,175,787	3,830,787
2031	2,785,000	1,067,112	3,852,112
2032	3,000,000	951,537	3,951,537
2033	3,110,000	829,399	3,939,399
2034	3,255,000	702,068	3,957,068
2035	3,410,000	568,706	3,978,706
2036	2,785,000	444,806	3,229,806
2037	2,945,000	330,269	3,275,269
2038	2,100,000	228,819	2,328,819
2039	2,200,000	141,181	2,341,181
2040	2,325,000	48,063	2,373,063
	$ 52,465,000	$ 23,037,928	$ 75,502,928

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2010	$ 12,835,000	$ 800,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2012	8,995,000	8,795,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2012	4,710,000	4,625,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013	8,205,000	7,015,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013A	5,930,000	4,250,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2014	2,520,000	2,475,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015	8,145,000	7,720,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015A	7,770,000	7,680,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2017	9,150,000	9,065,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2017	1,830,000	1,830,000
TOTAL	$ 70,090,000	$ 54,255,000

Bond Authority:	Tax Bonds
Amount Authorized by Voters	$ 95,000,000
Amount Issued	69,290,000
Remaining to be Issued	$ 25,710,000

Note: Refunding bonds authorization equals one and one-half times the amount of bonds outstanding at any given time.

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	May 31, 2019	Paying Agent
$	$ 390,000	$ 23,225	$ 410,000	Wells Fargo Bank N.A. Dallas, TX
	270,000	338,125	8,525,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	184,338	4,600,000	Wells Fargo Bank N.A. Dallas, TX
	145,000	266,400	6,870,000	Wells Fargo Bank N.A. Dallas, TX
	560,000	138,250	3,690,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	115,687	2,450,000	Wells Fargo Bank N.A. Dallas, TX
	230,000	281,400	7,490,000	Wells Fargo Bank N.A. Minneapolis, MN
	145,000	285,231	7,535,000	Wells Fargo Bank N.A. Minneapolis, MN
		339,250	9,065,000	Wells Fargo Bank N.A. Minneapolis, MN
		59,213	1,830,000	BONY Mellon Trust Co. N.A. Dallas, TX
$ - 0 -	$ 1,790,000	$ 2,031,119	$ 52,465,000	

Debt Service Fund cash and investment balances as of May 31, 2019:	$ 6,737,113
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,595,378

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 1,071,703	$ 1,034,439	$ 913,196
Water Service	883,004	899,602	904,918
Wastewater Service	1,924,861	1,908,597	1,700,235
Water Authority Fees	1,254,498	1,139,788	1,015,544
Penalty and Interest	86,771	76,943	69,655
Connection, Inspection, and Transfer Fees	120,711	123,869	126,672
Security Revenues	154,360	155,230	99,309
Sales Tax Revenues	172,397	172,144	116,692
Water Authority Credits	32,905	32,905	32,905
Investment and Miscellaneous Revenues	109,002	49,131	45,299
TOTAL REVENUES	$ 5,810,212	$ 5,592,648	$ 5,024,425
EXPENDITURES			
Professional Fees	$ 353,509	$ 288,540	$ 287,737
Contracted Services	1,854,820	1,872,340	1,821,612
Purchased Water	974,935	1,011,334	929,593
Utilities	249,368	225,031	205,611
Water Authority Assessments	228,751	82,810	65,815
Repairs and Maintenance	978,464	1,048,726	926,027
Other	424,533	492,383	493,164
Capital Outlay	420,957	323,615	1,766,303
TOTAL EXPENDITURES	$ 5,485,337	$ 5,344,779	$ 6,495,862
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 324,875	$ 247,869	$ (1,471,437)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ - 0 -	$ 1,052,706	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 324,875	$ 1,300,575	$ (1,471,437)
BEGINNING FUND BALANCE	4,809,555	3,508,980	4,980,417
ENDING FUND BALANCE	$ 5,134,430	$ 4,809,555	$ 3,508,980

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 881,334	$ 769,604	18.4 %	18.5 %	18.3 %	18.4 %	16.7 %
897,916	862,680	15.1	16.0	17.9	18.5	18.6
1,698,150	1,653,455	33.1	34.1	33.8	35.2	35.7
880,009	812,598	21.6	20.4	20.2	18.2	17.5
71,092	64,844	1.5	1.4	1.4	1.5	1.4
116,338	153,300	2.1	0.8	1.5	1.2	1.9
72,790	94,871	2.7	2.8	2.0	1.5	2.0
134,147	129,581	3.0	3.1	2.3	2.8	2.8
32,905	32,905	0.6	0.6	0.7	0.7	0.7
39,066	59,913	1.9	2.3	1.9	2.0	2.7
$ 4,823,747	$ 4,633,751	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 354,832	$ 238,206	6.1 %	5.2 %	5.7 %	7.4 %	5.1 %
1,620,234	1,511,074	31.9	33.5	36.3	33.6	32.6
699,081	725,418	16.8	18.1	18.5	14.5	15.7
224,524	212,729	4.3	4.0	4.1	4.7	4.6
118,404	51,520	3.9	1.5	1.3	2.5	1.1
876,126	913,176	16.8	18.8	18.4	18.2	19.7
510,536	588,874	7.3	8.8	9.8	10.6	12.7
457,826	139,770	7.2	5.8	35.2	9.5	3.0
$ 4,861,563	$ 4,380,767	94.3 %	95.7 %	129.3 %	101.0 %	94.5 %
$ (37,816)	$ 252,984	5.7 %	4.3 %	(29.3) %	(1.0) %	5.5 %
$ - 0 -	$ - 0 -					
$ (37,816)	$ 252,984					
5,018,233	4,765,249					
$ 4,980,417	$ 5,018,233					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 3,929,199	$ 3,796,780	$ 3,785,053
Penalty and Interest	27,831	25,374	28,398
Investment and Miscellaneous Revenues	175,083	59,686	27,647
TOTAL REVENUES	$ 4,132,113	$ 3,881,840	$ 3,841,098
EXPENDITURES			
Tax Collection Expenditures	$ 103,685	$ 101,369	$ 97,785
Debt Service Principal	1,790,000	1,820,000	1,690,000
Debt Service Interest and Fees	2,039,444	1,972,942	2,135,606
Bond Issuance Costs		362,397	
Payment to Escrow Agent		5,000	
TOTAL EXPENDITURES	$ 3,933,129	$ 4,261,708	$ 3,923,391
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 198,984	$ (379,868)	$ (82,293)
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Refunding Bonds	$	$ 9,150,000	$
Transfer to Refunded Bond Escrow Agent		(9,518,135)	
Bond Premium		735,539	
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ 367,404	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 198,984	$ (12,464)	$ (82,293)
BEGINNING FUND BALANCE	6,539,390	6,551,854	6,634,147
ENDING FUND BALANCE	$ 6,738,374	$ 6,539,390	$ 6,551,854
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,880	3,869	3,835
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,798	3,788	3,754

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 3,764,990	$ 3,698,978	95.1 %	97.8 %	98.6 %	98.8 %	98.9 %
28,812	29,668	0.7	0.7	0.7	0.8	0.8
17,142	12,897	4.2	1.5	0.7	0.4	0.3
$ 3,810,944	$ 3,741,543	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 96,666	$ 98,638	2.5 %	2.6 %	2.5 %	2.5 %	2.6 %
1,560,000	1,070,000	43.3	46.9	44.0	40.9	28.6
2,119,276	2,425,985	49.4	50.8	55.6	55.6	64.8
9,000	691,344		9.3		0.2	18.5
	103,000		0.1			2.8
$ 3,784,942	$ 4,388,967	95.2 %	109.7 %	102.1 %	99.2 %	117.3 %
$ 26,002	$ (647,424)	4.8 %	(9.7) %	(2.1) %	0.8 %	(17.3) %
$	$ 15,915,000					
	(15,842,887)					
	635,823					
$ - 0 -	$ 707,936					
$ 26,002	$ 60,512					
6,608,145	6,547,633					
$ 6,634,147	$ 6,608,145					
3,798	3,762					
3,718	3,685					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

District Mailing Address	-	Harris County Municipal Utility District No. 368 c/o Johnson Petrov LLP 2929 Allen Parkway, Suite 3150 Houston, TX 77019
District Telephone Number	-	(713) 489-8977

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended May 31, 2019	Expense Reimbursements for the year ended May 31, 2019	Title
Roy P. Lackey	05/18 – 05/22 (Elected)	$ 5,400	$ 4,004	President
Tiffani C. Bishop	05/16 – 05/20 (Elected)	$ 5,250	$ 2,807	Vice President/ Investment Officer
Sharon L. Cook	05/16 – 05/20 (Elected)	$ 6,150	$ 2,548	Secretary
Allison V. Dunn	05/18 – 05/22 (Elected)	$ 4,800	$ 2,545	Assistant Secretary
Eric Daniel	05/16 – 05/20 (Elected)	$ 3,300	$ -0-	Treasurer

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, with the exception of Director Dunn who is related to the owner of the company which provides security services to the District.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): June 7, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on June 1, 2006. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

Consultants	Date Hired	Fees for the year ended May 31, 2019	Title
Johnson Petrov LLP	02/07/00	$ 123,470	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/17/87	$ 21,000	Auditor
Municipal Accounts & Consulting, L.P.	12/20/05	$ 43,210	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/10/84	$ 8,074	Delinquent Tax Attorney
IDS Engineering Group	05/21/92	$ 267,924	Engineer
Rathmann & Associates, L.P.	05/01/03	$ -0-	Financial Advisor
Best Trash	09/03/15	$ 585,114	Garbage Collector
Katherine Turner	12/20/05	$ -0-	Investment Officer
Eagle Water Management	10/01/01	$ 877,938	Operator
Harris County	12/19/06	$ 719,823	Security
Bob Leared Interests	11/12/79	$ 58,333	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
  claims@buildamerica.com
Address:
  1 World Financial Center, 27th floor
  200 Liberty Street
  New York, New York 10281
Telecopy:
  212-962-1524 (attention: Claims)