

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 7, 2020**

**This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.**

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**BOOK-ENTRY-ONLY**

Rating: Moody's "A2"  
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

**\$4,445,000**  
**WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**  
*(A political subdivision of the State of Texas located within Harris County)*  
**UNLIMITED TAX BONDS**  
**SERIES 2020**

**Dated: February 1, 2020**

**Due: October 1, as shown below**

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

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

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS**

Due (October 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)	Due (October 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)
2021	\$ 195,000				2030	\$ 265,000 (c)			
2022	205,000				2031	275,000 (c)			
2023	210,000				2032	285,000 (c)			
2024	215,000				2033	295,000 (c)			
2025	225,000				2034	305,000 (c)			
2026	235,000 (c)				2035	315,000 (c)			
2027	240,000 (c)				2036	330,000 (c)			
2028	250,000 (c)				2037	340,000 (c)			
2029	260,000 (c)								

- (a) The Initial Purchaser (as herein defined) may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from February 1, 2020 is to be added to the price.
- (c) The Bonds maturing on and after October 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on October 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (d) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of West Harris County Municipal Utility District No. 15 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 13, 2020.

**BIDS DUE: TUESDAY, JANUARY 14, 2020, AT 10:15 A.M., HOUSTON TIME, HOUSTON, TEXAS**  
**BID AWARD: TUESDAY, JANUARY 14, 2020 AT 11:45 A.M., HOUSTON TIME, HOUSTON, TEXAS**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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### USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an “official statement” with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024 upon payment of the costs of duplication.

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

## OFFICIAL STATEMENT SUMMARY

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

### THE FINANCING

- The Issuer* ..... West Harris County Municipal Utility District No. 15 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
- The Issue* ..... \$4,445,000 West Harris County Municipal Utility District No. 15, Unlimited Tax Bonds, Series 2020, dated February 1, 2020. Interest on the Bonds will accrue from February 1, 2020 and will be payable April 1 and October 1 of each year commencing October 1, 2020 (eight months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on and after October 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on October 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”
- Book-Entry-Only* ..... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
- Source of Payment* ..... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
- Use of Proceeds* ..... Proceeds of the Bonds will be used to reimburse the Developer (as hereinafter defined) for a portion of the costs of financing certain projects and to pay for the construction costs shown herein under “THE SYSTEM—Use and Distribution of Bond Proceeds.” In addition, Bond proceeds will be used to pay engineering fees and administrative costs, to capitalize eighteen (18) months of interest on the Bonds, and to pay certain other costs related to the issuance of the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
- Payment Record* ..... The District has previously issued three series of unlimited tax bonds and two series of unlimited tax refunding bonds of which an aggregate principal amount of \$360,000 is outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted on the payment of principal or interest on the Outstanding Bonds. See “FINANCIAL STATEMENT—Outstanding Debt.”
- Qualified Tax-Exempt Obligations* ..... The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”

*Municipal Bond  
Insurance and*

*Municipal Bond Rating*.....Application has been made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “A2” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser (as defined herein) and at the Initial Purchaser’s expense. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

*Legal Opinion* ..... Young & Brooks, Bond Counsel, Houston, Texas.

*Engineer* ..... R.G. Miller Engineers, Inc., Houston, Texas.

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

*Financial Advisor* ..... Masterson Advisors LLC, Houston, Texas.

*Paying Agent/Registrar* ... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

**THE DISTRICT**

*Description* .....The District was created by the order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (“Commission”), dated July 8, 1980. The District contains approximately 507 acres of land and is located in Harris County approximately 20 miles northwest of the central business district of the City of Houston, Texas. The District is awaiting consent from the City of Houston to annex approximately 120 acres of land within its boundaries. Principal access from the central business district of the City of Houston to the District is provided by U.S. Highway 290 to Texas State Highway 6 or Telge Road. All land within the District lies within the exclusive extraterritorial jurisdiction of the City of Houston, Texas. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

*Recent Extreme  
Weather Events;*

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

The greater Houston area has experienced 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. According to Municipal Operations & Consulting, Inc. (the “Operator”), there was no interruption of water and sewer service as a result of Hurricane Harvey. However, according to a study authorized by Harris County, approximately 90 homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey. See “THE SYSTEM.”

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

*Status of Development* ..... Commercial development in the District includes 1) Northwest Lake Business Park (127 acres), which includes 84-Lumber, Gyrodata Inc., AIV-GCM Office Warehouse, Carson Warehouse and Visual Comfort; and 2) Aberdeen Business Park (287 acres), which includes Stewart & Stevenson, Enerflex Energy Systems, National Bedding (Serta Mattress), Freeman/Air Van North America, Tubes Inc., Century Corrosion, Howco, Eastern Metals, Siemens, and various other commercial/industrial businesses. The Aberdeen Commerce Center, which contains approximately 145,366 square feet in 51 office/warehouse establishments and Highland Grove Industrial Park, a 1.1 million square feet mixed-use commercial/industrial building are also located in Aberdeen Business Park. The District also includes a gas station (1 acre) and a retail center (1 acre).

Residential development in the District includes Aberdeen Green, Section Six, approximately 33 acres developed into 130 single-family residential lots. For the 2019 tax year, the average home value is approximately \$145,176. As of August 31, 2019, the District contained 123 completed and occupied homes and 7 homes completed and not occupied.

In addition, there are approximately 14 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities and approximately 44 acres of land which are undevelopable (detention facilities, easements and street rights-of-way). See “THE DISTRICT—Land Use” and “—Status of Development.”

*The Developer and Major*

*Property Owner* ..... NW Lake L.P., a Texas limited partnership (the “Developer”) developed the Northwest Lake Business Park on approximately 127 acres of land within the District. The Developer does not own any undeveloped land within the District.

RLLR Properties LTD owns approximately 32 acres in the District and BVK US II Pool 01 LLC owns approximately 20 acres in the District where mixed-use commercial/industrial use buildings have been constructed in Northwest Lake Business Park.

The remaining approximately 14 acres of developable land is owned by MPLD Telge Road LLC.

See “THE DISTRICT—The Developer and Major Property Owner” and “TAX DATA—Principal Taxpayers.”

**INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION**

2019 Taxable Assessed Valuation .....	\$558,076,220	(a)
Gross Direct Debt Outstanding.....	\$4,805,000	(b)
Estimated Overlapping Debt.....	<u>30,757,022</u>	
Total Gross Direct Debt and Estimated Overlapping Debt.....	\$35,562,022	
Ratio of Gross Direct Debt to:		
2019 Taxable Assessed Valuation .....	0.86%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2019 Taxable Assessed Valuation .....	6.37%	
2019 Debt Service Tax Rate .....	\$0.07	
2019 Maintenance Tax Rate .....	<u>0.18</u>	
Total .....	\$0.25	
Capital Projects Funds Available as of December 10, 2019 .....	\$1,016,580	(c)
Operating Funds Available as of December 10, 2019 .....	\$1,839,639	
Debt Service Funds Available as of December 10, 2019 .....	\$241,505	(d)
Average percentage of total tax collections (2014-2018) .....	99.97%	
Average Annual Debt Service Requirement (2020-2037) .....	\$358,462	(e)
Maximum Annual Debt Service Requirement (2020) .....	\$480,087	(e)
Tax Rate Required to Pay Average Annual Debt Service (2020-2037) at a 95% Collection Rate		
Based upon 2019 Taxable Assessed Valuation .....	\$0.07	(f)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate		
Based upon 2019 Taxable Assessed Valuation .....	\$0.10	(f)

- 
- (a) The 2019 Taxable Assessed Valuation shown herein includes \$503,779,726 of certified value and \$54,296,494 of uncertified value. The uncertified value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
  - (b) Includes the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Debt."
  - (c) Includes \$1,007,794 in surplus funds approved for use by the TCEQ for the purposes for which the Bonds are being issued. See "THE SYSTEM—Use and Distribution of Bond Proceeds."
  - (d) Balance gives effect to payment of all debt service due on the Outstanding Bonds in 2019. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. Accrued Interest and eighteen (18) months of capitalized interest on the Bonds will be deposited upon issuance of the Bonds.
  - (e) See "DEBT SERVICE REQUIREMENTS."
  - (f) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

## PRELIMINARY OFFICIAL STATEMENT

**\$4,445,000**

### **WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

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

### **UNLIMITED TAX BONDS**

#### **SERIES 2020**

This Official Statement provides certain information in connection with the issuance by West Harris County Municipal Utility District No. 15 (the "District") of its \$4,445,000 Unlimited Tax Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and an order of the Texas Commission on Environmental Quality (the "TCEQ").

This Official Statement includes descriptions of, among others, the Bonds, and the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Young & Brooks, Bond Counsel, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024, upon the payment of the costs of duplication.

## **THE BONDS**

### **General**

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

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

### **Method of Payment of Principal and Interest**

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, 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 their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owners as shown on the Bond Register (the "Register") kept by the Paying Agent/Registrar ("Registered Owners") on the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "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 to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

### **Source and Security for Payment**

The Bonds (together with the Outstanding Bonds (hereinafter defined), and such additional tax bonds as may hereafter be issued by the District) are payable from and secured by a pledge of 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 "TAX PROCEDURES." The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

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

### **Payment Record**

The District has previously issued three series of unlimited tax bonds and two series of unlimited tax refunding bonds of which an aggregate principal amount of \$360,000 is outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted on the payment of principal or interest on the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Debt."

### **Funds**

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

Accrued interest on the Bonds and an amount equal to eighteen (18) months of interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, which is confirmed by the Bond Order, to be used for the purpose of paying for construction costs and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

### **Authority for Issuance**

At an election held within the District on April 3, 1982, the voters of the District authorized the issuance of a total of \$14,000,000 principal amount of unlimited tax bonds for the purpose of providing waterworks, sanitary sewer, and drainage facilities to serve land within the District. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See "Issuance of Additional Debt" herein.

### **Registration, Transfer and Exchange**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners' income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

### **Replacement of Paying Agent/Registrar**

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



## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after October 1, 2026, in whole or from time to time in part, on October 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District, and if fewer than all of the Bonds of a given serial maturity are selected to be redeemed, the specific Bonds within the maturity shall be selected by lot or other customary method (or by the DTC in accordance with its procedures while the Bonds are in book-entry-only form). See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$14,000,000 unlimited tax bonds for the purpose of providing waterworks, sanitary sewer, and drainage facilities to serve land within the District. After issuance of the bonds, there will be no remaining principal amount authorized but unissued from such authorization. The District could authorize additional amounts. The District voters have also authorized the issuance of \$9,000,000 unlimited tax refunding bonds for refunding purposes, of which \$7,810,000 principal amount remains authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

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

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 projects 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.

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

## **Annexation by the City of Houston**

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.

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**

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the continuance of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with several other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof.

### **No Arbitrage**

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then 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 paid for. 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 in the Bond Resolution 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.

### **Consolidation**

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

### **Remedies in Event of Default**

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. Further, certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

### **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) for obligations of the District payable from revenues or from ad valorem taxes or both or with a trust company or commercial bank named in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment, and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such 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 such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such 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 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. There is also no assurance that any investment held for such discharge will maintain its rating.

## 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 nor 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.*

### **General**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, 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 rating of AA+ by S&P Global Ratings. 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](http://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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

## **THE DISTRICT**

### **General**

West Harris County Municipal Utility District No. 15 (the "District") is a municipal utility district created by order of the Texas Water Commission, now the TCEQ, dated July 8, 1980 and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston, Texas ("Houston" or the "City").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

The District presently contains approximately 507 acres of land. The District is awaiting consent from the City of Houston to annex approximately 120 acres of land within its boundaries. The District is located approximately 20 miles northwest of downtown Houston. Principal access from the central business district of the City of Houston to the District is provided by U.S. Highway 290 to Texas State Highway 6 or Telge Road. See "AERIAL PHOTOGRAPH."

### **Land Use**

The commercial development described below is located upon approximately 416 acres within the District and the single-family residential development is located on approximately 33 acres. In addition, there are approximately 14 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities and approximately 44 acres of land which are undevelopable (detention facilities, easements and street rights-of-way). See "THE SYSTEM."

### **Status of Development**

*Commercial:* Commercial development in the District includes 1) Northwest Lake Business Park (127 acres), which includes 84-Lumber, Gyrodata Inc., AIV-GCM Office Warehouse, Carson Warehouse and Visual Comfort; and 2) Aberdeen Business Park (287 acres), which includes Stewart & Stevenson, Enerflex Energy Systems, National Bedding (Serta Mattress), Freeman/Air Van North America, Tubes Inc., Century Corrosion, Howco, Eastern Metals, Siemans, and various other commercial/industrial businesses. The Aberdeen Commerce Center, which contains approximately 145,366 square feet in 51 office/warehouse establishments and Highland Grove Industrial Park, a 1.1 million square feet mixed-use commercial/industrial building are also located in Aberdeen Business Park. The District also includes a gas station (1 acre) and a retail center (1 acre).

In addition, there are approximately 14 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities and approximately 44 acres of land which are undevelopable (detention facilities, easements and street rights-of-way). See "Land Use."

*Single-Family Residential:* Residential development in the District includes Aberdeen Green, Section Six, approximately 33 acres developed into 130 single-family residential lots. For the 2019 tax year, the average home value is approximately \$145,176. As of August 31, 2019, the District contained 123 completed and occupied homes and 7 homes completed and not occupied.

### **The Developer and Major Property Owner**

NW Lake L.P., a Texas limited partnership (the "Developer") developed the Northwest Lake Business Park on approximately 127 acres of land within the District. The Developer does not own any undeveloped land within the District.

RLLR Properties LTD owns approximately 32 acres in the District and BVK US II Pool 01 LLC owns approximately 20 acres in the District where mixed-use commercial/industrial use buildings have been constructed in Northwest Lake Business Park.

The remaining approximately 14 acres of developable land is owned by MPLD Telge Road LLC.

See "TAX DATA—Principal Taxpayers."

## MANAGEMENT

### **Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. Each of the Board members own land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Campbell	President & Investment Officer	May 2022
Cliff McDaniel	Vice President	May 2020
Vince Vaden	Secretary	May 2020
Kevin Page	Asst. Secretary	May 2020
Randy Roden	Director	May 2022

The District does not have a general manager or any full-time employees, but contracts for certain necessary services as described below.

### **Tax Appraisal**

The Harris County Appraisal District has the responsibility for appraising taxable property within the District. See “TAX PROCEDURES.”

### **Tax Assessor/Collector**

The District has appointed an independent tax assessor/collector to perform the collection function. Bob Leared Interests has been employed by the District to serve in this capacity.

### **Utility System Operator**

Municipal Operations & Consulting, Inc. has been engaged by the District to operate the District's water distribution and wastewater collection facilities.

### **Bookkeeper**

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

### **Engineer**

The District’s consulting engineer is R.G. Miller Engineers, Inc. (the “Engineer”).

### **Auditor**

The District's audited financial statements for the year ended September 30, 2018, were prepared by Roth & Eyring, PLLC, Certified Public Accountant. The District has engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the year ended September 30, 2019. See “APPENDIX A” for a copy of the District's September 30, 2018, audited financial statement.

### **Bond Counsel/Attorney**

The District has engaged Young & Brooks as general counsel to the District and as Bond Counsel in connection with the issuance of District bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

### **Financial Advisor**

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

## THE SYSTEM

### **Regulation**

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City of Houston, Harris County and, in some instances, the TCEQ. Harris County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the District's Engineer.

### **Water Supply**

The District and West Harris County Municipal Utility District No. 14 ("West 14") jointly own two (2) water plants. The District owns 72.3% of the capacity in the Aberdeen Regional Water Plant, that consists of a 500 gallon per minute ("gpm") well, a 212,000 gallon ground storage tank, three booster pumps totaling 2,100 gpm capacity, a 15,000 gallon pressure tank, and related appurtenances. The District also owns 72.3% of the capacity of the second water plant that consists of a 1,500 gpm well, a 200,000 gallon storage tank, booster pumps totaling 2,250 gpm capacity, a 15,000 gallon pressure tank, and related appurtenances. The District receives surface water as part of the West Harris County Regional Authority's (the "Authority") agreement with the Harris Galveston Subsidence District (the "Subsidence District") for a reduction in reliance on groundwater. See "Subsidence District Requirements" below. The District's water supply is capable of serving 3,180 equivalent single-family connections ("esfcs"), of which 2,299 esfcs are allocated to the District. The District is currently serving 473 esfcs. The District and West 14 also have an emergency interconnect with Harris County Municipal Utility District No. 163 and Harris County Municipal Utility District No. 188. A portion of the proceeds from the Bonds will be expended for replacement of the well pump at Water Plant No. 1 and replacement of booster pumps and installation of additional ground storage and hydropneumatic tanks at Water Plant No. 2.

### **Subsidence District Requirements**

The District is within the boundaries of the Subsidence District which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a fee per 1,000 gallons of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.



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

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

### **Wastewater Treatment**

Wastewater treatment for the District is provided by a 600,000 gpd wastewater treatment plant jointly owned by the District and West 14. The District owns 277,500 gpd of capacity in the wastewater treatment plant, which is sufficient to serve 728 equivalent single-family connections within the District. A portion of the proceeds from the Bonds will be expended for rehabilitation and expansion of the wastewater treatment plant. See "Use and Distribution of Bond Proceeds" herein.

### **Water, Distribution, Wastewater Collection and Storm Drainage Facilities**

Trunk water distribution, wastewater collection and storm drainage facilities are available to serve the entire District. Future land use may require additional lateral or internal lines.

### **100-Year Flood Plain**

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 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. According to the Engineer, no land within District is located within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas estimates for the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

**Use and Distribution of Bonds Proceeds**

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$3,470,603 is estimated for construction costs, and \$974,397 is estimated for nonconstruction costs.

**CONSTRUCTION COSTS**

Northwest Lake Business Park:	
Clearing and Grubbing.....	\$ 17,924
Water, Wastewater & Drainage.....	571,962
Lift Station.....	226,148
Channel Improvements.....	841,537
Gyrodata Water and Wastewater Improvements.....	81,222
Gyrodata Northwest Drive Extension Swales and Outfall.....	68,538
Water Plant No. 1 Rehabilitation.....	613,104
Water Plant No. 2 Generator, Ground Storage Tank and Hydropneumatic Tank.....	720,831
Lift Station Rehabilitation.....	82,000
Wastewater Treatment Plant Rehabilitation and Expansion Projects.....	120,250
Restoration and Rehabilitation of Existing Sanitary Sewer System.....	335,065
Engineering.....	612,691
Contingencies.....	187,124
Less Surplus Funds.....	<u>(1,007,794)</u>
<b>Total Construction Costs.....</b>	<b>\$ 3,470,603</b>

**NON-CONSTRUCTION COSTS**

Legal Fees.....	\$ 116,125
Financial Advisory Fees.....	81,675
Developer Interest.....	186,343
Capitalized Interest (18 Months at 4.75%).....	316,706
Bond Discount (Estimated at 3%).....	133,350
Bond Issuance Expenses.....	59,841
Bond Application Report.....	64,799
TCEQ Fee (0.25%).....	11,113
Attorney General Fee.....	<u>4,445</u>
<b>Total Non-Construction Costs.....</b>	<b>\$ 974,397</b>

**TOTAL BOND ISSUE..... \$ 4,445,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required. The District cannot and does not guarantee the sufficiency of such funds for such purpose.

**UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED**

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
04/03/82	Water, Sanitary Sewer and Drainage	\$14,000,000	\$14,000,000*	\$0
05/11/91	Refunding	\$9,000,000	\$1,190,000	\$7,810,000

\* Includes the Bonds.

## FINANCIAL STATEMENT

2019 Taxable Assessed Valuation .....	\$558,076,220	(a)
The Outstanding Bonds .....	\$ 360,000	
The Bonds.....	<u>4,445,000</u>	
Total Direct Debt.....	<u>\$4,805,000</u>	

Ratio of Gross Direct Debt to:  
 2019 Taxable Assessed Valuation ..... 0.86%

Area of District—507 acres  
 Estimated 2019 Population – 431 (b)

- (a) The 2019 Taxable Assessed Valuation shown herein includes \$503,779,726 of certified value and \$54,296,494 of uncertified value. The uncertified value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris County Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) Estimate based upon 3.5 persons per occupied home.

### **Cash and Investment Balances** as of December 10, 2019

Capital Projects Fund	Cash and Investments	\$1,016,580 (a)
Debt Service Fund	Cash and Investments	\$ 241,505 (b)
Operating Fund	Cash and Investments	\$1,839,639

- (a) Includes \$1,007,794 in surplus funds approved for use by the TCEQ for the purposes for which the Bonds are being issued. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
- (b) Balance gives effect to payment of all debt service due on the Outstanding Bonds in 2019. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. Accrued Interest and eighteen (18) months of interest on the Bonds will be deposited upon issuance of the Bonds.

### **Outstanding Debt**

Series	Original Principal Amount	Outstanding Bonds (as of 11/1/19)
2001	\$ 3,905,000	\$ 125,000
2007 (a)	<u>1,045,000</u>	<u>235,000</u>
Total	\$ 4,950,000	\$ 360,000

- (a) Unlimited Tax Refunding Bonds.

### **Investments of the District**

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

## ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 1,885,182,125	10/31/2019	0.12%	\$ 2,262,219
Harris County Department of Education.....	6,320,000	10/31/2019	0.12%	7,584
Harris County Flood Control District.....	83,075,000	10/31/2019	0.12%	99,690
Harris County Hospital District.....	57,300,000	10/31/2019	0.12%	68,760
Lone Star College System.....	579,645,000	10/31/2019	0.26%	1,507,077
Port of Houston Authority.....	572,569,397	10/31/2019	0.12%	687,083
Cypress-Fairbanks ISD.....	2,586,595,000	10/31/2019	1.01%	26,124,610
Total Estimated Overlapping Debt.....				\$ 30,757,022
The District.....	4,805,000 (a)	Current	100.00%	4,805,000
Total Direct and Estimated Overlapping Debt.....				\$ 35,562,022
Ratio of Estimated Direct and Overlapping Debt to 2019 Taxable Assessed Valuation.....				6.37%

(a) Includes the Bonds and the Outstanding Bonds.

### Overlapping Taxes for 2019

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority.....	\$ 0.616700
Cypress-Fairbanks Independent School District.....	1.370000
Lone Star College System.....	0.107800
Total Overlapping Tax Rate.....	\$ 2.094500
The District .....	<u>0.250000 (a)</u>
Total Tax Rate.....	\$ 2.344500

(a) The District levied a total 2019 tax rate in the amount of \$0.25 per \$100 of taxable assessed valuation, consisting of \$0.07 per \$100 of taxable assessed valuation for debt service and \$0.18 per \$100 of taxable assessed valuation for maintenance and operations. See "TAX DATA—Tax Rate Distribution."

## TAX DATA

### **Tax Collections**

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

Tax Year	Net Certified Taxable		Total Tax Levy	Total Collections as of November 30, 2019	
	Assessed Valuation	Tax Rate		Amount	Percent
2014	\$ 383,962,992	\$ 0.24	\$ 1,064,041	\$ 1,064,041	100.00%
2015	421,941,482	0.25	1,054,854	1,054,596	99.98%
2016	368,721,834	0.25	921,805	921,050	99.92%
2017	355,040,325	0.25	887,501	887,317	99.98%
2018	434,402,732	0.25	1,086,134	1,085,868	99.98%
2019	503,779,726	0.25	1,259,449	(a)	(a)

(a) In process of collection. Taxes for 2019 are due by January 31, 2020.

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

### **Tax Rate Distribution**

	2019	2018	2017	2016	2015
Debt Service	\$ 0.070	\$ 0.110	\$ 0.090	\$ 0.085	\$ 0.085
Maintenance and Operations	0.180	0.140	0.160	0.165	0.165
Total	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.250

### **Tax Rate Limitation**

Debt Service: Unlimited (no legal limit to rate or amount).  
 Maintenance and Operations: \$0.75 per \$100 of taxable assessed valuation.

### **Debt Service Tax**

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2019 in the amount of \$0.07 per \$100 of taxable assessed valuation.

### **Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect a continuing, direct, annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electorate. On August 9, 1980, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.75 per \$100 of taxable assessed valuation. The District levied a maintenance tax for 2019 at the rate of \$0.18 per \$100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

### Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on July 1 of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

### Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the certified portion (\$503,779,729) of the 2019 Taxable Assessed Valuation of \$558,076,220, which represents certified ownership as of January 1, 2019. A principal taxpayer list related to the uncertified portion (\$54,296,494) of the 2019 Taxable Assessed Valuation is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
Enerflex Energy Systems	Land, Improvements & Personal Property	\$ 118,574,516	23.54%
CRP CHI Randalls Owner LP (a)	Land & Improvements	53,000,000	10.52%
Stewart & Stevenson Services	Land, Improvements & Personal Property	35,677,998	7.08%
RLLR Properties LTD (a)	Land & Improvements	31,612,037	6.27%
BVK US II Pool 01 LLC (a)	Land & Improvements	23,813,474	4.73%
Howco Metals Inc.	Personal Property	22,296,631	4.43%
Gyrodatta Pro LLC	Land & Improvements	17,884,914	3.55%
Eastern Metal Supply of Texas	Land, Improvements & Personal Property	16,619,764	3.30%
Carson Swib Industrial LP (a)	Land & Improvements	16,484,138	3.27%
Altus Midstream Processing (b)	Personal Property	16,000,000	3.18%
Total		\$ 351,963,472	69.86%

(a) Commercial/industrial use buildings.

(b) Personal property associated with Enerflex Energy Systems.

### Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAX PROCEDURES—Valuation of Property for Taxation". The following represents the composition of certified property comprising the 2017 through 2019 Taxable Assessed Valuations. A breakdown of the uncertified portion (\$54,296,494) of the 2019 Taxable Assessed Valuation is not available. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	<u>2019 Taxable Assessed Valuation</u>	<u>2018 Taxable Assessed Valuation</u>	<u>2017 Taxable Assessed Valuation</u>
Land	\$ 51,676,616	\$ 57,075,260	\$ 54,765,818
Improvements	263,053,466	190,358,722	169,985,257
Personal Property	329,238,251	272,786,078	215,764,408
Exemptions	(140,188,607) (a)	(85,817,328)	(85,475,158)
Certified Total	\$ 503,779,726	\$ 434,402,732	\$ 355,040,325
Uncertified Value	54,296,494	-	-
Total	<u>\$ 558,076,220</u>	<u>\$ 434,402,732</u>	<u>\$ 355,040,325</u>

(a) Approximately \$128,403,860 is attributable to Freeport Exemptions (as defined herein). See "TAX PROCEDURES—Freeport Goods and Goods-in-Transit Exemptions."

## **Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2019 Taxable Assessed Valuation of \$558,076,220 (consisting of \$503,779,726 of certified value and \$54,296,494 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2020-2037) .....	\$358,462
\$0.07 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections.....	\$371,121
Maximum Annual Debt Service Requirement (2020) .....	\$480,087
\$0.10 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections.....	\$530,172

No representation or suggestion is made that the uncertified portion of the 2019 Taxable Assessed Valuation will not be adjusted downward, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAX PROCEDURES."

## **TAX PROCEDURES**

### **Property Tax Code and County-Wide Appraisal District**

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (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 fifty 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 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.

***Residential Homestead Exemptions:*** Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For tax year 2019, the District has adopted a general homestead exemption of 20% of the appraised value of residential homesteads.

***Freeport Goods and Goods-in-Transit Exemptions:*** A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. Freeport goods are exempt from taxation by the District.

### **Tax Abatement**

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (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.

### **Valuation of Property for Taxation**

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised by the Harris County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Houses or lots 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. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.



Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as “open-space land” is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as “timber land” is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

### **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180<sup>th</sup>) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

### **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.

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, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "TAX DATA" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. 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 "Low Tax Rate Districts." 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 are classified herein as "Other 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.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts: Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other 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 a rollback election is called and passes, the total tax rate for Other Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, 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 rollback election calculation.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

### **District and Taxpayer Remedies**

The chief appraiser must give written notice before the Appraisal Review Board meeting to each owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, 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. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

## WATER AND SEWER OPERATIONS

### General

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

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and, in all instances, exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements for September 30, 2015 through 2018 and an unaudited summary provided by the District's Bookkeeper for the fiscal year ended September 30, 2019. Reference is made to these statements for further and complete information.

	Fiscal Year Ended September 30				
	2019 (a)	2018	2017	2016	2015
<b>Revenues</b>					
Property Taxes	\$ 608,185	\$ 618,049	\$ 641,167	\$ 665,668	\$ 663,859
Water Service	174,162	188,389	180,816	174,269	173,667
Sewer Service	57,453	67,343	66,749	62,643	63,676
Surface Water Fee	199,205	213,519	191,591	173,377	161,039
Penalty, Interest and Other	5,776	10,189	6,705	7,948	9,070
Tap Connection and Inspection Fees	174,305	156,830	84,225	-	8,155
Interest on Deposits	40,446	24,678	11,853	5,016	3,004
<b>Total Revenues</b>	<b>\$ 1,259,532</b>	<b>\$ 1,278,997</b>	<b>\$ 1,183,106</b>	<b>\$ 1,088,921</b>	<b>\$ 1,082,470</b>
<b>Expenditures</b>					
Purchased Services	\$ 624,095	\$ 489,795	\$ 446,866	\$ 417,531	\$ 367,283
Professional Fees	276,659	275,465	241,127	207,128	193,574
Contracted Services	33,207	31,764	46,696	44,940	49,064
Utilities	3,457	3,299	1,891	2,368	2,174
Repairs and Maintenance	317,534	174,047	205,447	93,126	143,152
Security Service	12,500	12,500	-	27,500	24,500
Administrative Expenditures	45,669	43,418	30,287	26,615	25,054
Capital Outlay	138,048	129,043	157,248	-	2,550
<b>Total Expenditures</b>	<b>\$ 1,451,168</b>	<b>\$ 1,159,331</b>	<b>\$ 1,129,562</b>	<b>\$ 819,208</b>	<b>\$ 807,351</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (191,636)</b>	<b>\$ 119,666</b>	<b>\$ 53,544</b>	<b>\$ 269,713</b>	<b>\$ 275,119</b>
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 2,171,110</b>	<b>\$ 2,051,444</b>	<b>\$ 1,997,900</b>	<b>\$ 1,728,187</b>	<b>\$ 1,453,068</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 1,979,474</b>	<b>\$ 2,171,110</b>	<b>\$ 2,051,444</b>	<b>\$ 1,997,900</b>	<b>\$ 1,728,187</b>

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

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 3.50%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 376,370	\$ -	\$ 103,717	\$ 103,717	\$ 480,087
2021	-	195,000	155,575	350,575	350,575
2022	-	205,000	148,750	353,750	353,750
2023	-	210,000	141,575	351,575	351,575
2024	-	215,000	134,225	349,225	349,225
2025	-	225,000	126,700	351,700	351,700
2026	-	235,000	118,825	353,825	353,825
2027	-	240,000	110,600	350,600	350,600
2028	-	250,000	102,200	352,200	352,200
2029	-	260,000	93,450	353,450	353,450
2030	-	265,000	84,350	349,350	349,350
2031	-	275,000	75,075	350,075	350,075
2032	-	285,000	65,450	350,450	350,450
2033	-	295,000	55,475	350,475	350,475
2034	-	305,000	45,150	350,150	350,150
2035	-	315,000	34,475	349,475	349,475
2036	-	330,000	23,450	353,450	353,450
2037	-	340,000	11,900	351,900	351,900
<b>Total</b>	<b>\$ 376,370</b>	<b>\$ 4,445,000</b>	<b>\$ 1,630,942</b>	<b>\$ 6,075,942</b>	<b>\$ 6,452,312</b>

Maximum Annual Debt Service Requirement (2020) .....\$480,087  
Average Annual Debt Service Requirements (2020-2037) .....\$358,462

## INVESTMENT CONSIDERATIONS

### **General**

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

### **Recent Extreme Weather Events; Hurricane Harvey**

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

The greater Houston area has experienced 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. According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. However, according to a study authorized by Harris County, approximately 90 homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

### **Specific Flood Type Risks**

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

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

### **Factors Affecting Taxable Values and Tax Payments**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial and retail property. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Declines in the price of oil could adversely affect the demand for housing and commercial improvements and result in a decrease in assessed values.

*Dependence on Principal Taxpayers:* Based on the certified 2019 tax rolls, the ten largest landowners are responsible for payment of 69.86% of the District's 2019 taxes. Enerflex Energy Systems is responsible for payment of 23.54% of the District's 2019 taxes. See "TAX DATA—Principal Taxpayers". The ability of any principal taxpayer 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. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Bond Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

*Dependence on Personal Property Tax Collections:* Approximately 65.35% (\$329,238,251) of the certified portion (\$503,779,726) of the District's 2019 Taxable Assessed Valuation is personal property. Most other utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and the personal property taxation and collection create special risks for Registered Owners. See "TAX DATA—Summary of Assessed Valuation."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

While personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. Nevertheless, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES."

Heretofore the District has been successful in collecting its ad valorem tax levies including ad valorem taxes levied on personal property located in the District. However, no representation can be made by the District regarding future tax collections. See "TAX DATA—Levy and Collection of Taxes."

### **Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2019 Taxable Assessed Valuation of the District is \$558,076,220 (consisting of \$503,779,726 of certified value and \$54,296,494 of uncertified value). See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be \$480,087 (2020) and the average annual debt service requirement will be \$358,462 (2020-2037). Assuming no increase or decrease from the 2019 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.10 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$480,087 and a tax rate of \$0.07 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$358,462. See "TAX DATA—Tax Adequacy for Debt Service." and "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2019 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES."

### **Future Debt**

Following issuance of the Bonds, the District will have no remaining principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The District has \$7,810,000 of unlimited tax refunding bonds authorized but unissued for refunding purposes. See "THE BONDS—Issuance of Additional Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

## **Environmental and Air Quality Regulations**

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

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

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 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 jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comments on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019, but the proposed rule has not been finalized.

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

### **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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

### **Registered Owners Remedies and Bankruptcy Limitations**

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

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

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

The District may not be placed into bankruptcy involuntarily.

### **Continuing Compliance with Certain Covenants**

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

### **Marketability**

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

### **Changes in Tax Legislation**

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations that relate to bond insurance.

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 description of "MUNICIPAL BOND RATING."

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 Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Initial Purchaser a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds including a certified copy of the unqualified approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The District also will furnish the approving legal opinion of Young & Brooks, Bond Counsel, to the effect that based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, against all taxable property within the District. See "TAX MATTERS" below for a discussion of Bond Counsel's opinion regarding the tax-exempt status of the Bonds. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

### **Legal Review**

In their capacity as Bond Counsel, Young & Brooks has reviewed the information in this Official Statement under the captioned sections "THE BONDS," "MANAGEMENT—Bond Counsel/Attorney," "THE DISTRICT—General," "TAX PROCEDURES," "LEGAL MATTERS—Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance With Prior Undertakings"), solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the laws and documents referred to therein. Such firm 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.

Young & Brooks also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No Material Adverse Change**

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

### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate executed by both the President and 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 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 on 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.

## TAX MATTERS

### Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

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

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

### Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

## **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District expects to designate the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Bonds as “qualified tax-exempt obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by \_\_\_\_\_ (the “Initial Purchaser”) bearing the interest rates shown on the cover page of this Official Statement, at a price of \_\_\_\_\_ % of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of \_\_\_\_\_ % as calculated pursuant to Chapter 1204, Texas Government Code (the “IBA” method).

### **Prices and Marketability**

Information concerning initial reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

### **Securities Laws**

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

## MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser's expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

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

### Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT"—R. G. Miller Engineers, Inc. ("Engineer") and Records of the District ("Records"); "THE SYSTEM"—Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED"—Records; "FINANCIAL STATEMENT"—Harris County Appraisal District and Bob Leared Interests; "ESTIMATED OVERLAPPING DEBT STATEMENT"—Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA"—Bob Leared Interests; "MANAGEMENT"—District Directors; "WATER AND SEWER OPERATIONS"—Records and Bookkeeper; and "DEBT SERVICE REQUIREMENTS"—Financial Advisor.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, if applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### Consultants

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by R.G. Miller Engineers, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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



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

Auditor: The financial statements of the District as of and for the fiscal year ended September 30, 2018, included in this offering document, have been audited by Roth & Eyring, PLLC, Certified Public Accountants, as stated in their report appearing herein. See “APPENDIX A.”

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such individual as an expert in the tracking and managing the various funds of municipal utility districts.

### **Updating of Official Statement**

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the “end of the underwriting period,” (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the “SEC”)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

### **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds; as required, 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 subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A. The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 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 events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "Financial Obligation" when used in this paragraph means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

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

### **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12, except that the District failed to file notice of rating upgrades with respect to its Series 2001 Bonds and Series 2007 Bonds within 10 days after the upgrades occurred due to a rating upgrade of the insurer of the bonds on or about April 1, 2015. Notice of late filing was made.

### **MISCELLANEOUS**

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

This Official Statement was approved by the Board of Directors of West Harris County Municipal Utility District No. 15, as of the date shown on the cover page.

/s/ \_\_\_\_\_  
President, Board of Directors

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors

**AERIAL  
PHOTOGRAPH**

**(Approximate boundaries as of September 2019)**



WEST HARRIS  
COUNTY MUNICIPAL  
UTILITY DISTRICT No. 15

HWY 290

TUCKERTON DR.





## **PHOTOGRAPHS OF THE DISTRICT**

The following photographs were taken in the District in September 2019 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.

























**APPENDIX A**

**District Audited Financial Statements for the fiscal year ended September 30, 2018**

WEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 15  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
SEPTEMBER 30, 2018

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# Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Fax 281-277-9484

November 13, 2018

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
West Harris County Municipal  
Utility District No. 15  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of West Harris County Municipal Utility District No. 15, as of and for the year ended September 30, 2018, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **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 of 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 of 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 assessment of the risk 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 entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of West Harris County Municipal Utility District No. 15 as of September 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, Special Revenue Funds, on Pages 24 to 25 be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 26 to 40 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

*Wolfe & Cozins, PLLC*

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the West Harris County Municipal Utility District No. 15 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

#### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Funds is to insure that the expenditures in the funds are billed to the participants in accordance with the contracts. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 3,585,398	\$ 3,450,695	\$ 134,703
Capital assets	3,771,156	3,615,047	156,109
Total assets	<u>7,356,554</u>	<u>7,065,742</u>	<u>290,812</u>
Long-term liabilities	2,846,120	2,871,214	(25,094)
Other liabilities	530,051	511,927	18,124
Total liabilities	<u>3,376,171</u>	<u>3,383,141</u>	<u>(6,970)</u>
Net position:			
Invested in capital assets, net of related debt	624,406	449,129	175,277
Restricted	1,182,669	1,179,504	3,165
Unrestricted	2,173,308	2,053,968	119,340
Total net position	<u>\$ 3,980,383</u>	<u>\$ 3,682,601</u>	<u>\$ 297,782</u>

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 967,036	\$ 982,858	\$ (15,822)
Charges for services	1,252,307	1,096,787	155,520
Other revenues	42,372	19,342	23,030
Total revenues	<u>2,261,715</u>	<u>2,098,987</u>	<u>162,728</u>
Expenses:			
Service operations	1,914,572	1,775,928	138,644
Debt service	49,361	63,234	(13,873)
Total expenses	<u>1,963,933</u>	<u>1,839,162</u>	<u>124,771</u>
Change in net position	297,782	259,825	37,957
Net position, beginning of year	<u>3,682,601</u>	<u>3,422,776</u>	<u>259,825</u>
Net position, end of year	<u>\$ 3,980,383</u>	<u>\$ 3,682,601</u>	<u>\$ 297,782</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended September 30, 2018, were \$3,467,222, an increase of \$123,361 from the prior year.

The General Fund balance increased by \$119,666, in accordance with the District's financial plan.

The Regional Sewage Treatment Plant Special Revenue Fund balance did not change.

The Joint Water Plant Facilities Special Revenue Fund balance did not change.

The Debt Service Fund balance decreased by \$9,358, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$13,053, as interest earnings exceeded authorized expenditures.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of September 30, 2018, was expected to be \$2,050,768 and the actual end of year fund balance was \$2,171,110.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 57,354	\$ 57,354	\$ 0
Construction in progress	2,493,113	2,213,564	279,549
Water facilities	727,767	815,790	(88,023)
Sewer facilities	<u>492,922</u>	<u>528,339</u>	<u>(35,417)</u>
Totals	<u>\$ 3,771,156</u>	<u>\$ 3,615,047</u>	<u>\$ 156,109</u>

Changes to capital assets during the fiscal year ended September 30, 2018, are summarized as follows:

##### Additions:

Engineering for water plant expansion	\$ 4,013
Utilities constructed by developers	<u>275,536</u>
Total additions to capital assets	279,549

##### Decreases:

Depreciation	<u>(123,440)</u>
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Net change to capital assets	<u>\$ 156,109</u>
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##### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows:

Bonded debt payable, beginning of year	\$ 965,000
Bonds paid	<u>(300,000)</u>
Bonded debt payable, end of year	<u>\$ 665,000</u>

At September 30, 2018, the District had \$4,445,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

None of the District's bonds have an underlying rating. The Series 2001 and 2007 bonds are insured by Radian Asset Assurance Inc. Because of the insurance, these bonds are rated AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended September 30, 2018.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At September 30, 2018, the estimated amount due to developers was \$2,489,100.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$7,370,000 for the 2017 tax year (approximately 2%) primarily due to the increase of the average assessed valuations on existing property.

### *Relationship to the City of Houston*

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 ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

### *Water Supply Issues*

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District and by January 2005, the District must have provided evidence to the Subsidence District that construction of the infrastructure defined within the District's certified groundwater reduction plan has started. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. At September 30, 2018, the Authority's ground water pumpage fee was equal to \$2.70 per 1,000 gallons pumped, and is expected to increase in the future. At September 30, 2018, the Authority's surface water usage fee was equal to \$3.10 per 1,000 gallons purchased, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

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WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2018

	<u>General</u>	Aberdeen Regional Sewage Treatment Plant Special Revenue Fund	Aberdeen Joint Water Plant Facilities Special Revenue Fund	Debt Service	Capital Projects	<u>Total</u>	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>								
Cash, including interest-bearing accounts, Note 7	\$ 505,525	\$ 30,001	\$ 86,250	\$ 99,346	\$ 1,167	\$ 722,289	\$	\$ 722,289
Certificates of deposit, at cost, Note 7	734,425				244,724	979,149		979,149
Temporary investments, at cost, Note 7	924,716			83,783	749,327	1,757,826		1,757,826
Receivables:								
Property taxes	2,198			1,348		3,546		3,546
Accrued penalty and interest on property taxes						0	1,459	1,459
Service accounts	47,171					47,171		47,171
Accrued interest	5,785				1,558	7,343		7,343
Other	4,797					4,797		4,797
Prepaid bond issuance expenditures	12,114					12,114		12,114
Due from other funds	43	15,186	25,690			40,919	(40,919)	0
Due from participants in joint facilities, Note 9		14,502	35,202			49,704		49,704
Operating reserve at Regional Sewage Treatment Plant and Joint Water Plant Facilities, Note 9	67,325					67,325	(67,325)	0
Capital assets, net of accumulated depreciation, Note 4:								
Capital assets not being depreciated						0	2,550,467	2,550,467
Depreciable capital assets						0	1,220,689	1,220,689
<b>Total assets</b>	<u>\$ 2,304,099</u>	<u>\$ 59,689</u>	<u>\$ 147,142</u>	<u>\$ 184,477</u>	<u>\$ 996,776</u>	<u>\$ 3,692,183</u>	<u>3,664,371</u>	<u>7,356,554</u>

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET, (Continued)

SEPTEMBER 30, 2018

	<u>General</u>	Aberdeen Regional Sewage Treatment Plant Special Revenue Fund	Aberdeen Joint Water Plant Facilities Special Revenue Fund	Debt Service	Capital Projects	<u>Total</u>	Adjustments (Note 3)	Statement of Net Position
<b>LIABILITIES</b>								
Accounts payable	\$ 46,042	\$ 20,694	\$ 58,185	\$	\$	\$ 124,921	\$	\$ 124,921
Due to other district		8,995				8,995		8,995
Customer deposits	35,580					35,580		35,580
Other deposits	11,000					11,000		11,000
Due to other funds	38,169		2,707	43		40,919	(40,919)	0
Other district equity in Regional Sewage Treatment Plant and Joint Water Plant Facilities						0	48,925	48,925
Long-term liabilities, Note 5:						0	300,630	300,630
Due within one year						0	2,846,120	2,846,120
Due in more than one year						0		
<b>Total liabilities</b>	<u>130,791</u>	<u>29,689</u>	<u>60,892</u>	<u>43</u>	<u>0</u>	<u>221,415</u>	<u>3,154,756</u>	<u>3,376,171</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property tax revenues	<u>2,198</u>	<u>0</u>	<u>0</u>	<u>1,348</u>	<u>0</u>	<u>3,546</u>	<u>(3,546)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>								
Fund balances:								
Nonspendable:								
Reserved for reserve at Regional Sewage Treat- ment Plant and Joint Water Plant Facilities, Note 9	67,325	30,000	86,250			183,575	(183,575)	0
Assigned to:								
Debt service				183,086		183,086	(183,086)	0
Capital projects					996,776	996,776	(996,776)	0
Unassigned	<u>2,103,785</u>					<u>2,103,785</u>	<u>(2,103,785)</u>	<u>0</u>
<b>Total fund balances</b>	<u>2,171,110</u>	<u>30,000</u>	<u>86,250</u>	<u>183,086</u>	<u>996,776</u>	<u>3,467,222</u>	<u>(3,467,222)</u>	<u>0</u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<u>\$ 2,304,099</u>	<u>\$ 59,689</u>	<u>\$ 147,142</u>	<u>\$ 184,477</u>	<u>\$ 996,776</u>	<u>\$ 3,692,183</u>		
Net position:								
Invested in capital assets, net of related debt							624,406	624,406
Restricted for debt service							185,893	185,893
Restricted for capital projects							996,776	996,776
Unrestricted							<u>2,173,308</u>	<u>2,173,308</u>
<b>Total net position</b>							<u>\$ 3,980,383</u>	<u>\$ 3,980,383</u>

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Aberdeen Regional Sewage Treatment Plant Special Revenue Fund	Aberdeen Joint Water Plant Facilities Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>								
Property taxes	\$ 618,049	\$	\$	\$ 346,885	\$	\$ 964,934	\$ (470)	\$ 964,464
Water service	188,389					188,389		188,389
Sewer service	67,343					67,343		67,343
Surface water fees, Note 10	213,519					213,519		213,519
From participants in joint facilities, Note 9		325,608	780,224			1,105,832	(489,795)	616,037
Penalty, interest and other	10,189			2,958		13,147	(386)	12,761
Tap connection and inspection fees	156,830					156,830		156,830
Interest on deposits and investments	24,678	47	107	3,237	14,303	42,372		42,372
<b>Total revenues</b>	<b>1,278,997</b>	<b>325,655</b>	<b>780,331</b>	<b>353,080</b>	<b>14,303</b>	<b>2,752,366</b>	<b>(490,651)</b>	<b>2,261,715</b>
<b>EXPENDITURES / EXPENSES</b>								
Service operations:								
Purchased services, Note 9	489,795					489,795	(489,795)	0
Professional fees	275,465	1,250	1,250	3,748	1,250	282,963		282,963
Contracted services	31,764	3,600	6,600	11,153		53,117		53,117
Utilities	3,299	61,446	49,320			114,065		114,065
Surface water fees, Note 10			590,812			590,812		590,812
Repairs, maintenance and operating expenditures	174,047	248,258	121,410			543,715		543,715
Security service	12,500					12,500		12,500
Administrative expenditures	43,418	11,101	10,939	3,472		68,930		68,930
Depreciation						0	123,440	123,440
Capital outlay / non-capital outlay	129,043					129,043	(4,013)	125,030
Debt service:								
Principal retirement				300,000		300,000	(300,000)	0
Interest and fees				44,065		44,065	5,296	49,361
<b>Total expenditures / expenses</b>	<b>1,159,331</b>	<b>325,655</b>	<b>780,331</b>	<b>362,438</b>	<b>1,250</b>	<b>2,629,005</b>	<b>(665,072)</b>	<b>1,963,933</b>
Excess (deficiency) of revenues over expenditures	119,666	0	0	(9,358)	13,053	123,361	174,421	297,782

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES, (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Aberdeen Regional Sewage Treatment Plant Special Revenue Fund	Aberdeen Joint Water Plant Facilities Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
Excess (deficiency) of revenues over expenditures	\$ 119,666	\$ 0	\$ 0	\$ (9,358)	\$ 13,053	\$ 123,361	\$ 174,421	\$ 297,782
Net change in fund balances / net position	119,666	0	0	(9,358)	13,053	123,361	174,421	297,782
Beginning of year	<u>2,051,444</u>	<u>30,000</u>	<u>86,250</u>	<u>192,444</u>	<u>983,723</u>	<u>3,343,861</u>	<u>338,740</u>	<u>3,682,601</u>
End of year	<u>\$ 2,171,110</u>	<u>\$ 30,000</u>	<u>\$ 86,250</u>	<u>\$ 183,086</u>	<u>\$ 996,776</u>	<u>\$ 3,467,222</u>	<u>\$ 513,161</u>	<u>\$ 3,980,383</u>

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2018

## NOTE 1: REPORTING ENTITY

West Harris County Municipal Utility District No. 15 (the "District") was created by an order of the Texas Department of Water Resources (now the Texas Commission on Environmental Quality) effective July 8, 1980, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on July 14, 1980, and the first bonds were sold on March 19, 1984. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District is the manager of the Aberdeen Regional Sewage Treatment Plant and the West Harris County Municipal Utility District No. 15 Joint Water Plant Facilities. Oversight of these joint facilities is exercised by the Board of Directors of the District and financial activity of the joint facilities has been included as component units in the financial statements of the District. The facilities' General Funds have been reported as Special Revenue Funds of the District. Transactions with these joint ventures are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Special Revenue Funds -- To account for all revenues and expenditures of the general operations of the Aberdeen Regional Sewage Treatment Plant and the Joint Water Plant Facilities.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 3,467,222	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Total capital assets, net			3,771,156
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
Bonds payable	\$ (665,000)		
Deferred charge for refunding (to be amortized as interest expense)	4,416		
Net issuance discount (to be amortized as interest expense)	2,934		
Due to developers	<u>(2,489,100)</u>		(3,146,750)
The assets in the Special Revenue Funds are owned by the District and other participants in the joint venture:			
The District's equity	(67,325)		
Other participants' equity	<u>(48,925)</u>		(116,250)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:			
Accrued penalty and interest on property taxes receivable	1,459		
Uncollected property taxes	<u>3,546</u>		<u>5,005</u>
Net position, end of year			<u>\$ 3,980,383</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$	123,361
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>			
Capital outlay		\$	4,013
Depreciation			(119,427)
		<u>(123,440)</u>	(119,427)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>			
Principal reduction			300,000
<p>The funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>			
Refunding charges			(4,229)
Issuance discount			(5,296)
		<u>(1,067)</u>	(5,296)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>			
Accrued penalty and interest on property taxes receivable			(386)
Uncollected property taxes			(856)
		<u>(470)</u>	(856)
Change in net position		\$	<u>297,782</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 57,354	\$	\$	\$ 57,354
Construction in progress	<u>2,213,564</u>	<u>279,549</u>	<u>          </u>	<u>2,493,113</u>
Total capital assets not being depreciated	<u>2,270,918</u>	<u>279,549</u>	<u>0</u>	<u>2,550,467</u>
Depreciable capital assets:				
Water system	2,462,841			2,462,841
Sewer system	<u>1,471,735</u>	<u>          </u>	<u>          </u>	<u>1,471,735</u>
Total depreciable capital assets	<u>3,934,576</u>	<u>0</u>	<u>0</u>	<u>3,934,576</u>
Less accumulated depreciation for:				
Water system	(1,647,051)	(88,023)		(1,735,074)
Sewer system	<u>(943,396)</u>	<u>(35,417)</u>	<u>          </u>	<u>(978,813)</u>
Total accumulated depreciation	<u>(2,590,447)</u>	<u>(123,440)</u>	<u>0</u>	<u>(2,713,887)</u>
Total depreciable capital assets, net	<u>1,344,129</u>	<u>(123,440)</u>	<u>0</u>	<u>1,220,689</u>
Total capital assets, net	<u>\$ 3,615,047</u>	<u>\$ 156,109</u>	<u>\$ 0</u>	<u>\$ 3,771,156</u>
Changes to capital assets:				
Capital outlay		\$ 4,013	\$	
Increase in liability to developer for construction		275,536		
Depreciation expense for the fiscal year		<u>(123,440)</u>	<u>          </u>	
Net increases / decreases to capital assets		<u>\$ 156,109</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 965,000	\$	\$ 300,000	\$ 665,000	\$ 305,000
Less deferred amounts:					
For refunding charges	(8,645)		(4,229)	(4,416)	(2,895)
For issuance discounts	<u>(4,001)</u>	<u>          </u>	<u>(1,067)</u>	<u>(2,934)</u>	<u>(1,475)</u>
Total bonds payable	<u>952,354</u>	<u>0</u>	<u>294,704</u>	<u>657,650</u>	<u>300,630</u>
Due to developers (see below)	<u>2,213,564</u>	<u>275,536</u>	<u>0</u>	<u>2,489,100</u>	<u>          </u>
Total long-term liabilities	<u>\$ 3,165,918</u>	<u>\$ 275,536</u>	<u>\$ 294,704</u>	<u>\$ 3,146,750</u>	<u>\$ 300,630</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at September 30, 2018, was \$2,489,100. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The principal and interest payments due October 1 are usually paid on or before September 30. The following schedule shows the amounts due assuming that this practice will be followed in the future. As of September 30, 2018, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 305,000	\$ 29,973	\$ 334,973
2020	<u>360,000</u>	<u>16,370</u>	<u>376,370</u>
	<u>\$ 665,000</u>	<u>\$ 46,343</u>	<u>\$ 711,343</u>

Bonds voted	\$ 14,000,000
Bonds approved for sale and sold	9,555,000
Bonds voted and not issued	4,445,000
Refunding bonds voted	9,000,000
Refunding bonds approved for sale and sold	1,190,000
Refunding bonds voted and not issued	7,810,000

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.

The principal and interest payments due October 1 are usually paid on or before September 30. The following schedule shows the amounts due assuming that this practice will be followed in the future. At September 30, 2018, the bond issues payable were as follows:

	<u>Series 2001</u>	<u>Refunding Series 2007</u>
Amounts outstanding, September 30, 2018	\$215,000	\$450,000
Interest rates	5.20%	4.15% to 4.20%
Maturity dates, serially beginning/ending	October 1, 2019/2020	October 1, 2019/2020
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates	October 1, 2011*	October 1, 2015*

\*Or any date thereafter, in whole or in part, at a price equal to the par value thereof plus accrued interest to the date fixed for redemption.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District 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.

At an election held August 12, 1980, the voters within the District authorized a maintenance tax not to exceed \$0.75 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 10, 2017, the District levied the following ad valorem taxes for the 2017 tax year on the adjusted taxable valuation of \$376,470,709:

	Rate	Amount
Debt service	\$ 0.0900	\$ 338,824
Maintenance	0.1600	602,354
	\$ 0.2500	\$ 941,178

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2017 tax year total property tax levy	\$ 941,178
Appraisal district adjustments to prior year taxes	23,286
Statement of Activities property tax revenues	\$ 964,464

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,701,438 and the bank balance was \$1,701,961. Of the bank balance, \$1,297,699 was covered by federal insurance and \$404,262 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,757,826.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash	\$	99,346
Temporary investments		<u>83,783</u>
	\$	<u>183,129</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	1,167
Certificates of deposit		244,724
Temporary investments		<u>749,327</u>
	\$	<u>995,218</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At September 30, 2018, the District had physical damage and boiler and machinery coverage of \$5,850,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, automobile liability coverage of \$1,000,000, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACTS WITH OTHER DISTRICTS

Regional Wastewater Treatment Contract

On July 7, 1983, the District and West Harris County Municipal Utility District No. 14 ("No. 14") entered into the Aberdeen Regional Sewage Treatment Agreement. This agreement is for a term of forty years and provides for the ownership and operation of the Aberdeen Regional Sewage Treatment Plant (the "Plant"). Under the terms of the agreement, the District is the "Administrator District" of the Plant and, as such, has full and complete management of the Plant. Expansion costs of the Plant are to be funded by the contribution of funds from each participating district. The Plant issues no debt. The Plant's General Fund has been reported as a Special Revenue Fund of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On April 14, 2004, the participants entered into an Amended and Restated Memorandum of Agreement for capacity in the Plant. Under the Amended and Restated Memorandum Agreement No. 14 owns 53.75% of the total capacity in the Plant. Participants are billed a monthly amount which is equal to the actual costs incurred during the prior month divided according to percentage of ownership in the Plant. During the fiscal year ended September 30, 2018, the District accrued \$150,594 for its share of Plant expenditures. At this date the District had contributed \$15,000 of the Plant's \$30,000 operating reserve.

Water Supply Agreements

On August 19, 1998, the District and No. 14 entered into a Lease Agreement for Capacity in the Aberdeen Regional Water Plant (the "Plant"). The term of the agreement was forty years. On March 13, 2002, the participants entered into a Third Amended Lease Agreement for Capacity in the Third Amended Lease Agreement for Capacity in the Aberdeen Regional Water Plant. Under the Third Amended Agreement, No. 14 currently owns or leases 59.00% of the capacity in the Plant.

On July 8, 1998, the District and No. 14 entered into an Amended Agreement for Construction, Operation and Ownership of Joint Water Plant Facilities. On June 1, 2010, the District and No. 15 entered into the Second Amended Agreement for Construction, Operation and Ownership of Water Plant Facilities which superseded the prior agreement. The agreements provided for the construction of a second water plant to serve both districts and described the method of billing expenditures between the districts. This agreement provided for the joint construction of a second water plant to serve both districts. The District owns 72.30% of the capacity in the second water plant and No. 14 owns 27.70% of the capacity.

The District operates and accounts for the operations of all the joint water plant facilities. Operation and maintenance costs are divided according to the percentage of ownership of each plant, except for surface water expenditures, which are to be divided according to the percentage of water delivered to customers by each district. The joint water plant facilities' General Fund has been reported as a Special Revenue Fund of the District. During the fiscal year ended September 30, 2018, the District accrued \$339,201 for its cost for water purchased from the joint water plant facilities. At this date the District had contributed \$52,325 of the joint water plant facilities' \$86,250 operating reserve.

**NOTE 10: REGIONAL WATER AUTHORITY**

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2018, the Authority had established a surface water pumpage fee of \$2.70 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$3.10 per 1,000 gallons of water purchased. The District's share of the \$590,812 surface water fees payable by the Joint Water Plant Facilities to the Authority for the fiscal year ended September 30, 2018, was \$229,153. The District billed its customers \$213,519 during the fiscal year to pay for the fees charged by the Authority.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUNDFOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 556,663	\$ 556,663	\$ 618,049	\$ 61,386
Water service	185,000	185,000	188,389	3,389
Sewer service	65,000	65,000	67,343	2,343
Surface water fees	196,895	196,895	213,519	16,624
Penalty	6,800	6,800	10,189	3,389
Tap connection and inspection fees	0	0	156,830	156,830
Interest on deposits and investments	10,000	10,000	24,678	14,678
<b>TOTAL REVENUES</b>	<b>1,020,358</b>	<b>1,020,358</b>	<b>1,278,997</b>	<b>258,639</b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	489,834	489,834	489,795	(39)
Professional fees	231,000	231,000	275,465	44,465
Contracted services	54,500	54,500	31,764	(22,736)
Utilities	2,500	2,500	3,299	799
Repairs, maintenance and other operating expenditures	193,000	193,000	174,047	(18,953)
Security service	12,500	12,500	12,500	0
Administrative expenditures	37,700	37,700	43,418	5,718
Capital outlay	0	0	129,043	129,043
<b>TOTAL EXPENDITURES</b>	<b>1,021,034</b>	<b>1,021,034</b>	<b>1,159,331</b>	<b>138,297</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(676)</b>	<b>(676)</b>	<b>119,666</b>	<b>120,342</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>2,051,444</b>	<b>2,051,444</b>	<b>2,051,444</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,050,768</b>	<b>\$ 2,050,768</b>	<b>\$ 2,171,110</b>	<b>\$ 120,342</b>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL,  
REGIONAL SEWAGE TREATMENT PLANT, SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From participants:				
West Harris County Municipal Utility District No. 15:				
For current expenditures	\$ 170,686	\$ 170,686	\$ 150,594	\$ (20,092)
For capital outlay	0	0	0	0
West Harris County Municipal Utility District No. 14:				
For current expenditures	198,364	198,364	175,014	(23,350)
For capital outlay	0	0	0	0
Interest on deposits and investments	0	0	47	47
<b>TOTAL REVENUES</b>	<u>369,050</u>	<u>369,050</u>	<u>325,655</u>	<u>(43,395)</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	1,100	1,100	1,250	150
Contracted services	12,500	12,500	3,600	(8,900)
Utilities	75,000	75,000	61,446	(13,554)
Repairs, maintenance and other operating expenditures	270,000	270,000	248,258	(21,742)
Administrative expenditures	10,450	10,450	11,101	651
Capital outlay	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<u>369,050</u>	<u>369,050</u>	<u>325,655</u>	<u>(43,395)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	0	0	0	0
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 0</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.



WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL,  
JOINT WATER PLANT FACILITIES, SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From participants:				
West Harris County Municipal Utility District No. 15:				
For current expenditures	\$ 321,461	\$ 321,461	\$ 339,201	\$ 17,740
For capital outlay	0	0	0	0
West Harris County Municipal Utility District No. 14:				
For current expenditures	457,700	457,700	441,023	(16,677)
For capital outlay	0	0	0	0
Interest on deposits and investments	0	0	107	107
<b>TOTAL REVENUES</b>	<u>779,161</u>	<u>779,161</u>	<u>780,331</u>	<u>1,170</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	1,050	1,050	1,250	200
Contracted services	19,850	19,850	6,600	(13,250)
Utilities	31,000	31,000	49,320	18,320
Surface water fees	554,960	554,960	590,812	35,852
Repairs, maintenance and other operating expenditures	159,741	159,741	121,410	(38,331)
Administrative expenditures	12,560	12,560	10,939	(1,621)
Capital outlay	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<u>779,161</u>	<u>779,161</u>	<u>780,331</u>	<u>1,170</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>86,250</u>	<u>86,250</u>	<u>86,250</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 86,250</u>	<u>\$ 86,250</u>	<u>\$ 86,250</u>	<u>\$ 0</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
SEPTEMBER 30, 2018

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2018

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

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

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$9.00	5,000	N	\$1.25	5,001 to 10,000
				1.50	10,001 to 20,000
				2.00	20,001 to 30,000
				2.50	30,001 to 40,000
				3.00	Over 40,000
WASTEWATER:	\$10.00	5,000	N	\$0.75	5,001 to 25,000
				1.00	Over 25,000

SURCHARGE: \$3.10 per 1,000 gallons of water used. – WHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$15.25 Wastewater: \$13.75 Surcharge: \$31.00

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2018

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	200	194	1.0	194
1"	7	7	2.5	18
1-1/2"	9	8	5.0	40
2"	33	31	8.0	248
3"	2	2	15.0	30
4"	2	2	25.0	50
6"	0	0	50.0	0
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	<u>255</u>	<u>246</u>		<u>740</u>
Total Wastewater	<u>223</u>	<u>218</u>	1.0	<u>218</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited):	<u>204,257</u>
Gallons billed to No. 15 customers (unaudited):	<u>70,820</u>
Gallons billed to No. 14 customers (unaudited):	<u>113,472</u>
Total gallons billed to customers (unaudited):	<u>184,292</u>

Water Accountability Ratio  
(Gallons billed/ gallons pumped): 90%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>						
Purchased services:						
Water from joint facilities	\$ 339,201	\$	\$	\$	\$	\$ 339,201
Sewer from regional plant	150,594					150,594
	<u>489,795</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>489,795</u>
Professional fees:						
Auditing	10,950	1,250	1,250			13,450
Legal	226,081			3,748	1,250	231,079
Engineering	38,434					38,434
	<u>275,465</u>	<u>1,250</u>	<u>1,250</u>	<u>3,748</u>	<u>1,250</u>	<u>282,963</u>
Contracted services:						
Bookkeeping	17,011	3,600	6,600			27,211
Operation and billing	14,753					14,753
Tax assessor-collector				4,186		4,186
Central appraisal district				6,967		6,967
	<u>31,764</u>	<u>3,600</u>	<u>6,600</u>	<u>11,153</u>	<u>0</u>	<u>53,117</u>
Utilities	<u>3,299</u>	<u>61,446</u>	<u>49,320</u>	<u>0</u>	<u>0</u>	<u>114,065</u>
Surface water fees:						
Ground water pumpage fees			144,453			144,453
Purchased surface water			446,359			446,359
	<u>0</u>	<u>0</u>	<u>590,812</u>	<u>0</u>	<u>0</u>	<u>590,812</u>
Repairs, maintenance and other operating expenditures:						
Repairs and maintenance	148,778	117,879	109,267			375,924
Sludge hauling		44,363				44,363
Chemicals		50,767	12,143			62,910
Laboratory costs	20,286	31,043				51,329
Inspection costs	3,181					3,181
TCEQ assessment	1,352					1,352
Other operating expenditures	450	4,206				4,656
	<u>174,047</u>	<u>248,258</u>	<u>121,410</u>	<u>0</u>	<u>0</u>	<u>543,715</u>
Security service	<u>12,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,500</u>
Administrative expenditures:						
Director's fees	7,350					7,350
Office supplies and postage	28,529	565	521			29,615
Insurance	6,181	7,162	10,418	100		23,861
Permit fees	534	3,374				3,908
Other	824			3,372		4,196
	<u>43,418</u>	<u>11,101</u>	<u>10,939</u>	<u>3,472</u>	<u>0</u>	<u>68,930</u>
<b>CAPITAL OUTLAY</b>						
Authorized expenditures	4,013					4,013
Tap connection costs	125,030					125,030
	<u>129,043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>129,043</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15EXPENDITURES (Continued)FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
DEBT SERVICE						
Principal retirement	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 0	\$ 300,000
Interest and fees:						
Interest				43,315		43,315
Paying agent fees				750		750
	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,065</u>	<u>0</u>	<u>44,065</u>
TOTAL EXPENDITURES	<u>\$ 1,159,331</u>	<u>\$ 325,655</u>	<u>\$ 780,331</u>	<u>\$ 362,438</u>	<u>\$ 1,250</u>	<u>\$ 2,629,005</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15  
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>						
Cash receipts from revenues excluding maintenance taxes	\$ 648,806	\$ 316,423	\$ 776,565	\$ 353,080	\$ 13,847	\$ 2,108,721
Maintenance tax receipts				618,049		618,049
Transfer of maintenance taxes	619,167					619,167
Increase in customer and other deposits	24,735					24,735
Receipt of interfund receivable				6,750		6,750
Overpayments by taxpayers				13,746		13,746
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>1,292,708</u>	<u>316,423</u>	<u>776,565</u>	<u>991,625</u>	<u>13,847</u>	<u>3,391,168</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>						
Cash disbursements for:						
Current expenditures	983,057	316,419	776,552	27,853	1,250	2,105,131
Capital outlay	129,043					129,043
Debt service				344,065		344,065
Transfer of maintenance taxes				619,167		619,167
Payment of interfund payable	6,750					6,750
Refund of taxpayer overpayments				14,084		14,084
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>1,118,850</u>	<u>316,419</u>	<u>776,552</u>	<u>1,005,169</u>	<u>1,250</u>	<u>3,218,240</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	173,858	4	13	(13,544)	12,597	172,928
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>1,990,808</u>	<u>29,997</u>	<u>86,237</u>	<u>196,673</u>	<u>982,621</u>	<u>3,286,336</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 2,164,666</u>	<u>\$ 30,001</u>	<u>\$ 86,250</u>	<u>\$ 183,129</u>	<u>\$ 995,218</u>	<u>\$ 3,459,264</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SCHEDULE OF CERTIFICATES OF DEPOSITS AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2018

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
<b>GENERAL FUND</b>				
Certificates of Deposit				
Certificate of Deposit				
No. 493536	1.70%	4/06/19	\$ 247,212	\$ 2,038
No. 8043890	1.70%	11/06/18	247,213	2,038
No. 1852002587	2.32%	6/10/19	240,000	1,709
			\$ 734,425	\$ 5,785
TexPool				
No. 2562100003	Market	On demand	\$ 924,716	\$ 0
<b>DEBT SERVICE FUND</b>				
TexPool				
No. 2562100001	Market	On demand	\$ 83,783	\$ 0
<b>CAPITAL PROJECTS FUND</b>				
Certificate of Deposit				
No. 13437	1.40%	10/16/18	\$ 244,724	\$ 1,558
TexPool				
No. 2562100004	Market	On demand	\$ 749,327	\$ 0
Total – All Funds			\$ 2,736,975	\$ 7,343

See accompanying independent auditor's report.



WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 2,524	\$ 1,492
Additions and corrections to prior year taxes	<u>15,369</u>	<u>7,917</u>
Adjusted receivable, beginning of year	17,893	9,409
2017 ADJUSTED TAX ROLL	<u>602,354</u>	<u>338,824</u>
Total to be accounted for	620,247	348,233
Tax collections: Current tax year	(601,837)	(338,533)
Prior tax years	<u>(16,212)</u>	<u>(8,352)</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,198</u>	<u>\$ 1,348</u>
RECEIVABLE, BY TAX YEAR		
2007 and prior	\$ 42	\$ 145
2008	0	0
2009	0	0
2010	0	0
2011	34	64
2012	60	42
2013	275	145
2014	219	119
2015	203	105
2016	848	437
2017	<u>517</u>	<u>291</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,198</u>	<u>\$ 1,348</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED SEPTEMBER 30, 2018

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 54,765,818	\$ 49,965,266	\$ 46,390,578	\$ 37,288,212
Improvements	177,388,593	158,826,738	155,149,806	147,166,668
Personal property	230,451,570	277,906,204	349,852,452	293,628,691
Less exemptions	<u>(86,135,272)</u>	<u>(117,598,240)</u>	<u>(129,439,312)</u>	<u>(83,870,088)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 376,470,709</u>	<u>\$ 369,099,968</u>	<u>\$ 421,953,524</u>	<u>\$ 394,213,483</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.09000	\$ 0.08500	\$ 0.08500	\$ 0.09500
Maintenance tax rates*	<u>0.16000</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.17500</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.25000</u>	<u>\$ 0.25000</u>	<u>\$ 0.25000</u>	<u>\$ 0.27000</u>
TAX ROLLS	<u>\$ 941,178</u>	<u>\$ 922,751</u>	<u>\$ 1,054,884</u>	<u>\$ 1,064,376</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.9 %</u>	<u>99.9 %</u>	<u>99.9 %</u>	<u>99.9 %</u>

\*Maximum tax rate approved by voters on August 12, 1980: \$0.75

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARSSEPTEMBER 30, 2018

The principal and interest payments due October 1 are usually paid on or before September 30. These schedules show the amounts due assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2001</u>		
	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2019	\$ 90,000	\$ 11,180	\$ 101,180
2020	<u>125,000</u>	<u>6,500</u>	<u>131,500</u>
TOTALS	<u>\$ 215,000</u>	<u>\$ 17,680</u>	<u>\$ 232,680</u>

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2007</u>		
	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2019	\$ 215,000	\$ 18,793	\$ 233,793
2020	<u>235,000</u>	<u>9,870</u>	<u>244,870</u>
TOTALS	<u>\$ 450,000</u>	<u>\$ 28,663</u>	<u>\$ 478,663</u>

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2019	\$ 305,000	\$ 29,973	\$ 334,973
2020	<u>360,000</u>	<u>16,370</u>	<u>376,370</u>
TOTALS	<u>\$ 665,000</u>	<u>\$ 46,343</u>	<u>\$ 711,343</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBTFOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2001	2007	
Interest Rate:	5.20%	4.15% to 4.20%	
Dates Interest Payable:	April 1/ October 1	April 1/ October 1	
Maturity Dates:	October 1, 2019/2020	October 1, 2019/2020	
Bonds Outstanding at Beginning of Current Year	\$ 305,000	\$ 660,000	\$ 965,000
Less Retirements	<u>(90,000)</u>	<u>(210,000)</u>	<u>(300,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 215,000</u>	<u>\$ 450,000</u>	<u>\$ 665,000</u>
Current Year Interest Paid	<u>\$ 15,860</u>	<u>\$ 27,455</u>	<u>\$ 43,315</u>

Bond Descriptions and Original Amount of Issue

- (1) West Harris County Municipal Utility District No. 15 Unlimited Tax Bonds, Series 2001 (\$1,045,000)
- (2) West Harris County Municipal Utility District No. 15 Unlimited Tax Refunding Bonds, Series 2007 (\$3,905,000)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 14,000,000	\$ 0	\$ 9,000,000
Amount Issued:	9,555,000		1,190,000
Remaining to be Issued:	4,445,000		7,810,000

Net Debt Service Fund deposits and investments balances as of September 30, 2018: \$183,086  
Average annual debt service payment for remaining term of all debt: 355,672

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>										
Property taxes	\$ 618,049	\$ 641,167	\$ 665,668	\$ 663,859	\$ 746,329	48.3 %	54.2 %	61.1 %	61.3 %	60.4 %
Water service	188,389	180,816	174,269	173,667	193,619	14.7	15.3	16.0	16.0	15.7
Sewer service	67,343	66,749	62,643	63,676	64,652	5.3	5.6	5.8	5.9	5.2
Surface water fees	213,519	191,591	173,337	161,039	170,927	16.7	16.2	15.9	14.9	13.8
Penalty and other	10,189	6,705	7,948	9,070	7,607	0.8	0.6	0.7	0.8	0.6
Tap connection and inspection fees	156,830	84,225	0	8,155	50,263	12.3	7.1	0.0	0.8	4.1
Interest on deposits and investments	24,678	11,853	5,016	3,004	2,709	1.9	1.0	0.5	0.3	0.2
<b>TOTAL REVENUES</b>	<b><u>1,278,997</u></b>	<b><u>1,183,106</u></b>	<b><u>1,088,881</u></b>	<b><u>1,082,470</u></b>	<b><u>1,236,106</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURES</b>										
Service operations:										
Purchased services	489,795	446,866	417,531	367,283	381,227	38.2	37.7	38.4	34.0	30.9
Professional fees	275,465	241,127	207,128	193,574	185,802	21.5	20.4	19.0	17.9	15.0
Contracted services	31,764	46,696	44,940	49,064	43,854	2.5	3.9	4.1	4.5	3.5
Repairs, maintenance, utilities and other operating expenditures	177,346	207,338	95,494	145,326	120,272	13.9	17.6	8.8	13.4	9.8
Security service	12,500	0	27,500	24,500	0	1.0	0.0	2.5	2.3	
Administrative expenditures	43,418	30,287	26,615	25,054	25,281	3.4	2.6	2.4	2.3	2.0
Capital outlay	129,043	157,248	0	2,550	45,030	10.1	13.3	0.0	0.2	3.6
<b>TOTAL EXPENDITURES</b>	<b><u>1,159,331</u></b>	<b><u>1,129,562</u></b>	<b><u>819,208</u></b>	<b><u>807,351</u></b>	<b><u>801,466</u></b>	<b><u>90.6</u></b>	<b><u>95.5</u></b>	<b><u>75.2</u></b>	<b><u>74.6</u></b>	<b><u>64.8</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$ 119,666</u></b>	<b><u>\$ 53,544</u></b>	<b><u>\$ 269,673</u></b>	<b><u>\$ 275,119</u></b>	<b><u>\$ 434,640</u></b>	<b><u>9.4 %</u></b>	<b><u>4.5 %</u></b>	<b><u>24.8 %</u></b>	<b><u>25.4 %</u></b>	<b><u>35.2 %</u></b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b><u>246</u></b>	<b><u>241</u></b>	<b><u>235</u></b>	<b><u>238</u></b>	<b><u>233</u></b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b><u>218</u></b>	<b><u>216</u></b>	<b><u>208</u></b>	<b><u>214</u></b>	<b><u>208</u></b>					

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>										
Property taxes	\$ 346,885	\$ 331,027	\$ 342,782	\$ 360,631	\$ 393,367	98.3 %	97.3 %	96.6 %	99.1 %	99.1 %
Penalty and interest	2,958	8,597	11,675	2,760	2,581	0.8	2.5	3.3	0.8	0.7
Interest on deposits and investments	3,237	540	446	414	656	0.9	0.2	0.1	0.1	0.2
<b>TOTAL REVENUES</b>	<b><u>353,080</u></b>	<b><u>340,164</u></b>	<b><u>354,903</u></b>	<b><u>363,805</u></b>	<b><u>396,604</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURES</b>										
Current:										
Professional fees	3,748	20,839	18,449	2,675	3,129	1.1	6.1	5.2	0.7	0.8
Contracted services	11,153	11,026	12,062	12,911	13,127	3.2	3.2	3.4	3.5	3.3
Other expenditures	3,472	5,820	2,258	2,123	1,888	1.0	1.7	0.6	0.6	0.5
Debt service:										
Principal retirement	300,000	290,000	280,000	270,000	260,000	84.9	85.4	78.9	74.3	65.6
Interest and fees	44,065	56,878	69,090	80,790	92,091	12.5	16.7	19.5	22.2	23.2
<b>TOTAL EXPENDITURES</b>	<b><u>362,438</u></b>	<b><u>384,563</u></b>	<b><u>381,859</u></b>	<b><u>368,499</u></b>	<b><u>370,235</u></b>	<b><u>102.7</u></b>	<b><u>113.1</u></b>	<b><u>107.6</u></b>	<b><u>101.3</u></b>	<b><u>93.4</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$ (9,358)</u></b>	<b><u>\$ (44,399)</u></b>	<b><u>\$ (26,956)</u></b>	<b><u>\$ (4,694)</u></b>	<b><u>\$ 26,369</u></b>	<b><u>(2.7) %</u></b>	<b><u>(13.1) %</u></b>	<b><u>(7.6) %</u></b>	<b><u>(1.3) %</u></b>	<b><u>6.6 %</u></b>

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2018

Complete District Mailing Address: West Harris County Municipal Utility District No. 15  
c/o Young & Brooks  
10000 Memorial Drive, Suite 260  
Houston, Texas 77024

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: October 26, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Robert Campbell 6307 Washington Ave. Houston, Texas 77007	Elected 5/05/18- 5/07/22	\$ 1,050	\$ 0	President/ Investment Officer
Cliff McDaniel 8914 Cardwell Lane Houston, Texas 77055	Elected 5/07/16- 5/02/20	1,200	0	Vice President
Vince Vaden 24902 Pintail Court Katy, Texas 77494	Elected 5/07/16- 5/02/20	1,800	0	Secretary
Kevin Page 1096 CR 253 Weimer, Texas 78962	Elected 5/07/16- 5/02/20	1,650	514	Assistant Secretary
Randy Roden P.O. Box 399 Lovelady, Texas 75851	Elected 5/05/18- 5/07/22	1,050	0	Director

See accompanying independent auditor's report.



WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 15BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2018CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	10/04/84	\$ 231,079	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	1/12/82	29,643	Bookkeeper
Municipal Operations & Consulting, Inc. 27316 Spectrum Way Oak Ridge, Texas 77385	1/14/04	376,764	Operator
R. G. Miller Engineers, Inc. 16340 Park Ten Place, Suite 350 Houston, Texas 77084	11/20/96	42,446	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	10/04/84	5,525	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	6,967	Central Appraisal District
Masterson Advisors, LLC 4400 Post Oak Parkway, Suite 2370 Houston, Texas 77027	6/12/18	0	Financial Advisor
Hilltop Securities, Inc. 700 Milam Street, Suite 500 Houston, Texas 77002	Replaced 6/12/18	0	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	13,450	Independent Auditor

See accompanying independent auditor's report.