

**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 495  
(Harris County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT  
DATED: MARCH 1, 2017**

**\$6,405,000  
UNLIMITED TAX BONDS  
SERIES 2017**

**BIDS DUE: 10:00 A.M., HOUSTON TIME, WEDNESDAY, APRIL 5, 2017  
BONDS AWARDED: 11:00 A.M., HOUSTON TIME, WEDNESDAY, APRIL 5, 2017**





**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 1, 2017**

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

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

**NEW ISSUE - Book-Entry Only**

**\$6,405,000**  
**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 495**  
**(A Political Subdivision of the State of Texas, located within**  
**Harris County, Texas)**  
**UNLIMITED TAX BONDS, SERIES 2017**

**Dated: May 1, 2017**

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

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrars (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from May 1, 2017, and is payable on March 1, 2018 (ten-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

**MATURITY SCHEDULE**

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>
\$110,000	2019	%	%	\$220,000	2033(b)	%	%
115,000	2020			230,000	2034(b)		
125,000	2021			240,000	2035(b)		
130,000	2022			250,000	2036(b)		
135,000	2023			265,000	2037(b)		
145,000	2024			275,000	2038(b)		
150,000	2025(b)			290,000	2039(b)		
160,000	2026(b)			305,000	2040(b)		
165,000	2027(b)			315,000	2041(b)		
175,000	2028(b)			330,000	2042(b)		
180,000	2029(b)			350,000	2043(b)		
190,000	2030(b)			365,000	2044(b)		
200,000	2031(b)			380,000	2045(b)		
210,000	2032(b)			400,000	2046(b)		

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (b) The Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 495 (the "District"), as a whole or in part, on September 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

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

The Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." Voters in the District authorized a total of \$189,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System and refunding of same, \$58,000,000 unlimited tax bonds for the purpose of acquiring and constructing roads and refunding of same, and \$24,000,000 principal amount of unlimited tax bonds for recreational facilities and refunding of same. Following the issuance of the Bonds, \$182,595,000 principal amount of unlimited tax bonds for the acquisition or construction of the System and refunding of same, \$58,000,000 unlimited tax bonds for the purpose of acquiring and constructing roads and refunding of same, and \$24,000,000 principal amount of unlimited tax bonds for recreational facilities and refunding of same will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

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

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form is expected through DTC on or about May 9, 2017.

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

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

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

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

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

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by \_\_\_\_\_ (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of \_\_\_\_\_% 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, as amended.

**Marketability**

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

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

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

**Securities Laws**

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

**Municipal Bond Rating**

The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.



## OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

### THE BONDS

The Issuer .....	Harris County Municipal Utility District No. 495 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - General.”
Description .....	\$6,405,000 Unlimited Tax Bonds, Series 2017, are dated May 1, 2017, and mature on September 1 in the years and principal amounts shown on the cover page of this Official Statement. Interest on the Bonds accrues from May 1, 2017, at the rates shown on the cover hereof, and is payable at the rates shown on the cover hereof on March 1, 2018 (ten-month interest payment), and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds scheduled to mature on and after September 1, 2025, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2024, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.”
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), 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 thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/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 “THE BONDS - Book-Entry-Only System”).
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “RISK FACTORS - Maximum Impact on District Tax Rates,” and “TAX DATA - Tax Rate Calculations.”

Use of Proceeds .....

Proceeds of the sale of the Bonds will be used by the District to (i) finance a portion of the District’s pro rata share of costs associated with construction and acquisition of Water Plant No. 1; waterline interconnect; wastewater treatment plant site work, phase 1; access road and drainage improvements for wastewater treatment plant, phase 1; wastewater treatment plant discharge permit; and a portion of the construction costs associated with wastewater treatment plant, phase 2; (ii) finance certain land acquisition costs; (iii) finance the cost of a market study; (iv) pay interest on advances made to or on behalf of the District; and (v) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, a fee to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), engineering fees, certain costs associated with the creation of the District, costs associated with the operation of the District, and certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its \$3,005,000 Bond Anticipation Note, Series 2016 (the “BAN”), with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record .....

The Bonds are the initial series of bonds issued by the District. The District will capitalize an amount equal to the initial 24 months of interest payments from the proceeds of the sale of the Bonds, and will deposit such sum in the District’s Debt Service Fund.

Authority for Issuance .....

At an election held within the District on May 10, 2014, voters of the District authorized a total of \$189,000,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the “System”), and refunding of same. The Bonds constitute the first issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; Chapter 8350; Special District Local Laws Code (“Chapter 8350”), Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”).

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.

Authorized But Unissued Bonds .....

\$182,595,000 for waterworks, wastewater, and drainage facilities (after issuance of the Bonds), and refunding of same, \$58,000,000 for roads and refunding of same, and \$24,000,000

for parks and recreational facilities, and refunding of same. See “THE BONDS - Issuance of Additional Debt.” In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing a bond anticipation note (the “2017 BAN”) in the approximate amount of \$8,050,000 in approximately the second quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN.

Municipal Bond Rating .....	The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Rating.”
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
<u>Not</u> Qualified Tax-Exempt Obligations .....	The Bonds are <b>not</b> “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

THE DISTRICT

Description .....	The District, a political subdivision of the State of Texas, was created by a special act of the 81 <sup>st</sup> Texas Legislature, effective May 27, 2009, now codified as Chapter 8350 Special District Local Laws Code (“Chapter 8350”). The District contains approximately 603.28 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located north of Interstate Highway I-10, west of the Grand Parkway, and north of the City of Katy. The southern tract of the District is bound by Clay Road to the south and Porter Road to the east. The northern portion of the District is bound by Stockdick School Road to the south and is bisected by Katy Hockley Cut Off Road. The District lies within the Katy Independent School District. See THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”
Authority .....	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 and Article III Section 52 of the Constitution of the State of Texas, Chapter 8350, and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development and Home Construction . . . . .

As of March 1, 2017, the District contained 447 homes, including 101 homes under construction. See “Builders.” According to the District’s Engineer, underground water distribution, wastewater collection, and storm drainage facilities, detention facilities and street paving have been completed to serve 670 single-family residential lots located in King Crossing, Sections 1 through 7 and 9 and Katy Manor, Sections 1 through 3 (approximately 198.06 total acres) in the District as is delineated in the chart that appears in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” In addition, as is also delineated in the chart, 341 additional single-family residential lots (approximately 148.91 total acres) are currently under development (King Crossing, Sections 8 and 10 and Katy Manor, Sections 4 and 5). According to the District’s engineer, the detention ponds to serve Katy Manor at full development have been constructed with the exception of the outfall drainage facilities. The outfall drainage channel serving Katy Manor that will connect the detention ponds to South Mayde Creek, which will enable the ponds to ultimately drain into South Mayde Creek, has been designed but not yet constructed, pending acquisition of the land on which the drainage channel will be constructed. The District’s operator temporarily pumps down the detention ponds as necessary to maintain adequate detention storage in the ponds. Permits for new home construction in Katy Manor are currently being issued by Harris County based upon the temporary pumping arrangement, but could be suspended at any time until the construction of the outfall channel is complete.

The developers of King Crossing located within the District, Beazer Homes Texas, L.P. (“Beazer Homes”) and Pulte Homes of Texas, L.P. (“Pulte”) (described below under the caption “Developers”), have completed the development of 565 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 7 and 9. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 7 and 9. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte has taken title to one-half of such fully-developed single-family residential lots for home building purposes. Beazer Homes and Pulte own approximately 121.78 acres of land located within the District on which they have undertaken the development of 227 single-family residential lots that have been subdivided as King Crossing, Sections 8 and 10, the development of which, including street paving, is anticipated to be completed by approximately April 2017. Beazer Homes and Pulte own approximately 24.13 acres of currently undeveloped land located within the District that are available for future development, all of which they expect to be utilized for future single-family residential development.

The developer of Katy Manor located within the District, KB Home Lone Star, Inc. (“KB”) (described below under the caption “Developers”), has completed the development of 105 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 3. KB owns approximately 27.13 acres of land located within the District on which it has undertaken the development of 114 single-family residential lots that have been subdivided as Katy Manor, Section 4 (29 single-family residential lots) and Section 5 (85 single-family residential lots), the development of which, including street paving, is anticipated to be completed by approximately April 2017. KB owns approximately 65.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development.

Telephone Investments, Inc., a Texas Corporation (“Telephone”) (described below under the caption “Developers”) owns approximately 156.15 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

Approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken.

The District cannot represent that the development of King Crossing, Sections 8 and 10 or Katy Manor, Sections 4 and 5 will be completed, nor whether, or when, the development of any the aforementioned currently undeveloped acres might occur. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2016 Taxpayers.”

In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to

approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt” and “FUTURE DEVELOPMENT.”

Developers .....

The developers of King Crossing located within the District, Beazer Homes Texas, L.P. (“Beazer Homes”) and Pulte Homes of Texas, L.P. (“Pulte”), have completed the development of 565 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 7 and 9. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 7 and 9. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte as taken title to one-half of such fully-developed single-family residential lots for home building purposes. Beazer Homes and Pulte own approximately 121.78 acres of land located within the District on which they have undertaken the development of 227 single-family residential lots that have been subdivided as King Crossing, Sections 8 and 10, the development of which, including street paving, is anticipated to be completed by approximately April 2017. Beazer Homes and Pulte own approximately 24.13 acres of currently undeveloped land located within the District that are available for future development, all of which they expect to be utilized for future single-family residential development.

The developer of Katy Manor located within the District, KB Home Lone Star, Inc. (“KB”) has completed the development of 105 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 3. KB owns approximately 27.13 acres of land located within the District on which it has undertaken the development of 114 single-family residential lots that have been subdivided as Katy Manor, Section 4 (29 single-family residential lots) and Section 5 (85 single-family residential lots), the development of which, including street paving, is anticipated to be completed by approximately April 2017. KB owns approximately 65.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development.

Beazer Homes’ sole general partner is Beazer Homes Texas Holdings, Inc., a Delaware corporation, which is wholly-owned by Beazer Homes, U.S.A. Beazer Homes U.S.A. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Pulte is wholly-owned by Pulte Corporation, a Michigan corporation, whose stock is listed on the New York Stock Exchange. KB Home Lone Star, Inc. operates as a subsidiary of KB Home, a Delaware

Corporation, whose stock is listed on the New York Stock Exchange. Beazer Homes U.S.A., Pulte Corporation and KB Home are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Beazer Homes U.S.A., Pulte Corporation and KB Home can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Reference to the financial information concerning Beazer Homes U.S.A., Pulte Corporation and KB Home is relevant, among other reasons, to the ability of Beazer Homes, Pulte and KB to continue to develop land in the District and to pay taxes levied by the District and other taxing entities. Neither Beazer Homes, Pulte, KB nor Beazer Homes U.S.A., Pulte Corporation and KB Home has made any commitment to pay debt service on the Bonds, and reference to the financial information of Beazer Homes U.S.A., Pulte Corporation and KB Home in this Official Statement should not be so construed. The District has not obtained any representations from Beazer Homes U.S.A., Pulte Corporation or KB Home concerning its publically available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Telephone Investments, Inc., a Texas Corporation ("Telephone") owns approximately 156.15 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

Approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken.

The District cannot represent that the development of King Crossing, Sections 8 and 10 or Katy Manor, Sections 4 and 5 will be completed, nor whether, or when, the development of any the aforementioned currently undeveloped acres might

occur. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2016 Taxpayers.”

Builders .....

According to Beazer Homes and Pulte, they are currently constructing homes in King Crossing which range in size from approximately 1,512 to 3,847 square feet of living area and in sales price from approximately \$196,990 to \$354,990.

According to KB, it is currently constructing homes in Katy Manor which range in size from approximately 1,570 to 2,249 square feet of living area and in sales price from approximately \$174,495 to \$249,995.

Beazer Homes, Pulte and KB (collectively, the “Builders”) may change the types, sizes and sales prices of the homes which it chooses to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

**RISK FACTORS**

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”



**SELECTED FINANCIAL INFORMATION**  
**(Unaudited)**

2016 Assessed Valuation . . . . .	\$38,467,210(a)
(As of January 1, 2016)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at January 1, 2017 . . . . .	\$115,825,627(b)
(100% of estimated assessed value as of January 1, 2017)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:     The Bonds . . . . .	\$ 6,405,000(c)
Estimated Overlapping Debt . . . . .	<u>\$ 1,745,997</u>
Direct and Estimated Overlapping Debt . . . . .	<u>\$ 8,150,997(c)</u>
Direct Debt Ratios	
: as a percentage of 2016 Assessed Valuation . . . . .	16.65%
: as a percentage of Estimated Valuation at January 1, 2017 . . . . .	5.53%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2016 Assessed Valuation . . . . .	21.19%
: as a percentage of Estimated Valuation at January 1, 2017 . . . . .	7.04%
Debt Service Fund Balance Estimated as of Delivery of the Bonds . . . . .	\$ 608,475(d)
General Fund Balance at March 1, 2017 . . . . .	\$ 352,859
2016 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax . . . . .	\$0.00
Maintenance Tax . . . . .	<u>1.50</u>
Total . . . . .	\$1.50(e)
Anticipated Approximate 2017 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax . . . . .	\$0.41
Maintenance Tax . . . . .	<u>1.09</u>
Total . . . . .	\$1.50(e)
Percentage of Tax Collections 2016 levy . . . . .	92.46%
As of March 21, 2017. In process of collection.	
Average Annual Debt Service Requirements of the Bonds (2018-2046) . . . . .	\$ 418,143
Maximum Annual Debt Service Requirement of the Bonds (2040) . . . . .	\$ 421,137
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds (2018-2046) at 90% Tax Collections Based Upon Estimated Valuation at January 1, 2017 . . . . .	\$0.41(c)(d)

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds (2040) at 90% Tax Collections Based Upon Estimated Valuation at January 1, 2017 . . . . .	\$0.41(c)(d)
Number of Single Family Residences (including 101 residences under construction) . . . . . as of March 1, 2017	447

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- (a) As of January 1, 2016. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2017, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2016, through December 31, 2016. No taxes were levied for 2016 against any values added since January 1, 2016. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2016, through December 31, 2016, which will be placed on the District's 2017 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2017.
  - (c) See "DISTRICT DEBT." In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "FUTURE DEVELOPMENT."
  - (d) The District will capitalize an amount equal to the initial 24 months of interest payments from the proceeds of the sale of the Bonds, and will deposit such sum in the Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
  - (e) The District levied a tax rate of \$1.50 per \$100 of Assessed Valuation for 2016, all of which is a maintenance tax. The District anticipates levying its first debt service tax in 2017 in connection with the issuance of the Bonds. Such initial debt service tax is expected to be in the approximate amount of \$0.41 per \$100 of Assessed Valuation. The District anticipates levying a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation in 2017. Therefore, the District's combined total tax for 2017 is expected to be \$1.50 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2016 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2016 tax rate, is \$3.75128 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 495  
UNLIMITED TAX BONDS  
SERIES 2017**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 495 (the “District”) of its \$6,405,000 Unlimited Tax Bonds, Series 2017 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated May 1, 2017. Interest accrues from May 1, 2017, at the rates shown on the cover hereof, and is payable on March 1, 2018 (ten-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 in each of the years and in the amounts shown under “MATURITY SCHEDULE” on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”).

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

**Book-Entry-Only System**

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

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

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

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

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

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

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

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

#### **Assignments, Transfers and Exchanges**

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date (defined below) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

**Record Date**

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15<sup>th</sup> day of the month (whether or not a business day) preceding such interest payment date.

**Redemption Provisions**

Bonds maturing on September 1, 2025, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

**Replacement of Registrar**

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

**Authority for Issuance**

At an election held within the District on May 10, 2014, voters of the District authorized a total of \$189,000,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "System"), and refunding of same. The Bonds constitute the first issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; Chapter 8350 Special District Local Laws Code ("Chapter 8350"), Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

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.

**Source of Payment**

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collection, and Paying Agent/Registrar fees. Such proceeds, after deduction for collection costs, will be placed in the District's Debt Service Fund and used solely to pay principal of and interest on the Bonds, and on additional bonds payable from taxes which may hereafter be issued, and Paying Agent/Registrar fees.

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

## **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ (other than refunding bonds), necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$189,000,000 unlimited tax bonds for construction of the System, and refunding of same, and could authorize additional amounts. Following the issuance of the Bonds, \$182,595,000 unlimited tax bonds will remain authorized but unissued for construction of the System, and refunding of same. The District's voters also have authorized \$24,000,000 in unlimited tax bonds for parks and recreational facilities and refunding of same, and \$58,000,000 in unlimited tax bonds for roads and refunding of same, all of which remains unissued, and could authorize additional amounts. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the water distribution, wastewater collection, storm drainage/detention facilities that the District is financing with portions of the proceeds of the sale of the Bonds (see "Use and Distribution of Bond Proceeds" below and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See "RISK FACTORS - Future Debt" and "FUTURE DEVELOPMENT."

Based on present engineering cost estimates and on development plans supplied by the Developers (hereinafter defined), in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the \$182,595,000 authorized but unissued bonds for water, sewer and drainage facilities will be adequate to finance the extension of water, wastewater and storm drainage/detention facilities and services to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT OF THE DISTRICT," FUTURE DEVELOPMENT," and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuance 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) approval of the park plan and bonds by the TCEQ; and (b) 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. On May 10, 2014, the District authorized \$24,000,000 in bonds for parks and recreational facilities and refunding of same.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "RISK FACTORS - Future Debt."

## **No Arbitrage**

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and 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 that it shall make such use of the proceeds of the Bonds, regulate

investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

### **Annexation and Consolidation**

The District lies within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). Under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must dissolve the District and assume the assets, functions, and obligations of the District, including the Bonds, and any other bonded indebtedness of the District existing at the time of annexation. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

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

### **Strategic Partnership**

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which the 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. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

### **Registered Owners' Remedies**

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. 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 waivers of such immunity by the Texas Legislature, a default by the District in its covenant in the Bond Resolution may not be reduced to a judgment for money damages. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners' Rights” below.



## **Bankruptcy Limitation to Registered Owners' Rights**

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

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

The District may not be placed into bankruptcy involuntarily.

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

## Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated 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 non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment 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 Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

**Use and Distribution of Bond Proceeds**

Proceeds of the sale of the Bonds will be used by the District to (i) finance a portion of the District’s pro rata share of costs associated with construction and acquisition of Water Plant No. 1; waterline interconnect; wastewater treatment plant site work, phase 1; access road and drainage improvements for wastewater treatment plant, phase 1; wastewater treatment plant discharge permit; and a portion of the construction costs associated with wastewater treatment plant, phase 2; (ii) finance certain land acquisition costs; (iii) finance the cost of a market study; (iv) pay interest on advances made to or on behalf of the District; and (v) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, a fee to the TCEQ, engineering fees, certain costs associated with the creation of the District, costs associated with the operation of the District, and certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its \$3,005,000 Bond Anticipation Note, Series 2016 (the “BAN”), with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds.

<b>Construction Costs</b>	<b><u>District Share</u></b>
A. Developer Contribution Items - None	\$ <u>0</u>
Total Developer Contribution Items	\$ 0
B. District Items	
1. Water Supply Plant No. 1	\$ 836,135
2. Waterline Interconnect	204,548
3. Wastewater Treatment Plant Site Work Phase 1	488,369
4. Access Road and Drainage for Wastewater Treatment Plant, Phase 1	153,403
5. Discharge Permit for Wastewater Treatment Plant	223,072
6. Wastewater Treatment Plant Phase 2	288,750
7. Land Costs	
a. Lift Station No. 1 Site	17,034
b. Water Plant Site	58,800
c. Wastewater Treatment Plant Site	137,598
d. Detention Ponds A-G	1,688,829
8. Stormwater Pollution Prevention Plan	4,332
9. Contingencies	10,227
10. Engineering and Testing	<u>266,862</u>
Total District Items	\$4,377,959
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$4,377,959</b>

**Non-Construction Costs**

1. Legal Fees	\$ 168,100
2. Fiscal Agent Fees	128,100
3. Interests Costs	
a. Capitalized Interest (24 months)	608,475
b. Developer Interest (a)	259,770
c. Bond Anticipation Note Interest (12 months)	82,638
4. Bond Discount	192,150
5. Bond Issuance Expenses	58,123
6. Bond Anticipation Note Issuance Expenses	85,396
7. Creation Costs	62,217
8. Market Study	10,000
9. Bond Application Report Costs	78,513
10. Operating Expenses	210,000
11. Preliminary Engineering	61,141
12. Attorney General Fee	6,405
13. TCEQ Bond Issuance Fee	16,013
14. Contingency (b)	<u>0</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$2,027,041</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$6,405,000</u></b>

(a) Represents interest owed to the Developers on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developers have borrowed funds.

(b) The TCEQ directed that any surplus funds resulting from the sale of the Bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

## RISK FACTORS

### General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "THE BONDS - Source of Payment" and - "Registered Owners' Remedies," and "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below.

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the value of existing homes. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPERS" and "BUILDERS" (i) the development of 670 single-family residential lots is complete within the District, and the development of 341 additional single-family residential lots is underway in the District, and (ii) as of March 1, 2017, the District contained 447 single-family homes (including 101 homes under construction), the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

**National Economy:** There has been a downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPERS" and "BUILDERS" (i) the development of 670 single-family residential lots is complete within the District, and the development of 341 additional single-family residential lots is underway in the District, and (ii) as of March 1, 2017, the District contained 447 single-family homes (including 101 homes under construction), the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing and financial markets or a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is

unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 31 miles west of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

**Developer/Builder/Landowner Obligation to the District:** The developer of King Crossing within the District is Beazer Homes Texas, L.P. ("Beazer Homes") and Pulte Homes of Texas, L.P. ("Pulte"). Beazer Homes is currently the District's largest taxpayer. Beazer Homes owns currently undeveloped acreage, developed lots and lots under development, the 2016 Assessed Valuation of which is \$3,617,613, or approximately 9.40% of the District's 2016 tax roll. Pulte is currently the District's second largest taxpayer. Pulte owns currently undeveloped acreage, developed lots and lots under development, the 2016 Assessed Valuation of which is \$3,487,890, or approximately 9.07% of the District's 2016 tax roll. See "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPERS," "BUILDERS" and "TAX DATA - Principal 2016 Taxpayers." The ability of the Beazer Homes, Pulte, KB, Telephone (see "DEVELOPERS") or any other principal taxpayer within the District 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. There is no commitment by or legal requirement of Beazer Homes, Pulte, KB, Telephone or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See "FUTURE DEVELOPMENT."

Beazer Homes, Pulte and KB are wholly dependent on sales of lots within the District, and/or advances or capital contributions from related entities to satisfy its tax obligations on property owned by Beazer Homes, Pulte and KB and in the District. Without these sources of funds Beazer Homes, Pulte or KB, would not be able to satisfy their respective tax obligations to the District and other taxing authorities. Only Beazer Homes, Pulte, KB Home, Telephone and other owners of property located in the District are legally responsible for payment of ad valorem taxes to the District and other taxing authorities.

Beazer Homes' sole general partner is Beazer Homes Texas Holdings, Inc., a Delaware corporation, which is wholly-owned by Beazer Homes, U.S.A. Beazer Homes U.S.A. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Pulte is wholly-owned by Pulte Corporation, a Michigan corporation, whose stock is listed on the New York Stock Exchange. KB Home Lone Star, Inc. operates as a subsidiary of KB Home, a Delaware Corporation, whose stock is listed on the New York Stock Exchange. Beazer Homes U.S.A., Pulte Corporation and KB Home are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Beazer Homes U.S.A., Pulte Corporation and KB Home can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Reference to the financial information concerning Beazer Homes U.S.A., Pulte Corporation and KB Home is relevant, among other reasons, to the ability of Beazer Homes, Pulte and KB to continue to develop land in the District and to pay taxes levied by the District and other taxing entities. Neither Beazer Homes, Pulte, KB nor Beazer Homes U.S.A., Pulte Corporation and KB Home has made any commitment to pay debt service on the Bonds, and reference to the financial information of Beazer Homes U.S.A., Pulte Corporation and KB Home

in this Official Statement should not be so construed. The District has not obtained any representations from Beazer Homes U.S.A., Pulte Corporation or KB Home concerning its publically available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

**Economic Dependency Upon the Developer:** The District has received advances from the developers of land located within the District (see “DEVELOPERS”) that have been deposited into the District’s General Fund and have been utilized to pay General Fund Expenditures of the District. See “APPENDIX C - FINANCIAL REPORT.” The District levied its initial maintenance tax of \$1.50 per \$100 of Assessed Valuation in 2014, and levied the same maintenance tax for 2015 and 2016. The District’s maintenance tax is deposited into the General Fund. See “TAX DATA - Maintenance Tax.” Based upon the District’s 2016 Assessed Valuation of \$38,467,210, the 2016 maintenance tax of \$1.50 per \$100 of Assessed Valuation is expected to produce approximately \$519,307 in maintenance tax revenue for the District’s General Fund, assuming 90% collection of such tax. In 2017, the District anticipates levying a debt service tax of approximately \$0.41 and a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation, for a total of 2017 tax rate of \$1.50 per \$100 of Assessed Valuation. Based on the Estimated Valuation at January 1, 2017, of \$115,825,627, such anticipated approximate 2017 maintenance tax of \$1.09 per \$100 of Assessed Valuation will produce approximately \$1,136,249 in maintenance tax revenue for the District’s General Fund, assuming 90% collection of such tax. As is delineated in “APPENDIX B - FINANCIAL REPORT,” the District’s annual General Fund Expenditures have been in excess of such maintenance tax revenues that are expected to be generated from the District’s 2016 maintenance tax. As is enumerated in the Financial Report, the District’s total Revenues and Expenditures for the Fiscal Year Ended February 29, 2016, were \$635,064 and \$716,967, respectively, resulting in total Revenues Under Expenditures of (\$81,903). Although the maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation that the District anticipates levying for 2017 is expected to produce revenue in excess of the District’s General Fund Expenditures, the District cannot represent that it will not continue to be dependent upon receiving future operating advances from Beazer Homes, Pulte, KB, Telephone and any future developer of land within the District, if any, to pay operating costs of the District, until there are sufficient revenues from the District’s maintenance tax to pay such operating expenses. However, there is no commitment by or legal requirement of Beazer Homes, Pulte, KB, Telephone or any other party to make such operating advances to the District. Therefore, the District can make no representation about the probability of receiving future advances, or the amount of such advances, if any, from Beazer Homes, Pulte, KB, Telephone or any other party.

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

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District’s 2016 Assessed Valuation is \$38,467,210. The Estimated Valuation at January 1, 2017, of property located within the District, supplied by the Harris County Appraisal District (the “Appraisal District”) is \$115,825,627. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$421,137 (2040) and the Average Annual Debt Service Requirements will be \$418,143 (2018 through 2046, inclusive). Assuming no increase to nor decrease from the Estimated Valuation at January 1, 2017, a tax rate of \$0.41 per \$100 of Assessed Valuation at a 90% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds.

The District anticipates levying its initial debt service tax for 2017 of approximately \$0.41 per \$100 of Assessed Valuation, plus a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation. As the above calculations indicate, the anticipated approximate 2017 debt service rate will be sufficient to pay debt service on the Bonds given taxable values in the District at the level of the Estimated Valuation at January 1, 2017, assuming a tax collection rate of 90%, no use of funds on hand, and the issuance of no additional bonds by the District. See “TAXING PROCEDURES.” Increases in the District’s tax rate to higher levels than the total \$1.50 per \$100 of Assessed Valuation rate which the District anticipates levying for 2017 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2016 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2016 rate, is \$3.75128 per \$100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

### **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 taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See “TAXING PROCEDURES.”

### **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. 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 waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. Even if the Registered Owners could obtain a judgment against the District, such judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Registered Owners' Remedies.”

### **Future Debt**

The District reserves in the Bond Resolution the right to issue the remaining \$182,595,000 in unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing waterworks, wastewater and drainage facilities and refunding of same, the \$58,000,000 for the purpose of acquiring and constructing roads and refunding of same, the \$24,000,000 for parks and recreational facilities and refunding of same, and such additional bonds as may hereafter be approved by the voters of the District. All of the remaining bonds described above which have heretofore been



authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$182,595,000 in bonds for waterworks, wastewater and drainage facilities and \$24,000,000 for parks and recreational facilities is subject to TCEQ approval. In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See “THE BONDS - Issuance of Additional Debt” and “FUTURE DEVELOPMENT.”

The District's Engineer currently estimates that the aforementioned \$182,595,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See “Maximum Impact on District Tax Rates” above, “THE BONDS,” “DEVELOPMENT AND HOME CONSTRUCTION,” “FUTURE DEVELOPMENT,” and “THE SYSTEM.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Issuance of Additional Debt.”

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

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

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

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

### **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Builders or any future home builder(s) will be continued or completed. The respective competitive positions of the Developers and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section. Such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

## **Continuing Compliance with Certain Covenants**

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

## **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

## **Environmental Regulations**

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

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

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

### *Air Quality/Greenhouse Gas 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 area ("HGB area")-Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties-was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 "eight-hour" ozone standards ("the 1997 Ozone Standards"). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas's redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGC area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion ("ppb") to 75 ppb ("the 2008 Ozone Standard"), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area's 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but

in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's 2008 Ozone Standard, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb ("the 2015 Ozone Standard"). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2017.

In order to comply with the EPA's ozone standards for the HGB area, the TCEQ has established a state implementation plan ("SIP") 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. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

### *Water Supply & Discharge Issues*

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit became effective on March 5, 2013, and 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 must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit ("Sixth Circuit") put the CWR on hold nationwide. On February 22, 2016, the Sixth Circuit decided it has jurisdiction to consider lawsuits against the CWR, and on April 21, 2016, denied six petitions for en banc review of this decision. A Petition for Writ of Certiorari was filed on September 2, 2016, appealing to the Supreme Court the Sixth Circuit's decision that it has jurisdiction to consider lawsuits against the CWR. On February 28, 2017, the President issued an executive order directing the EPA and the USACE to review the CWA. On March 1, 2017, the EPA and the USACE signed a joint Notice of Intention to Review and Rescind or Revise the CWR. If the CWR is implemented, operations of municipal utility districts, including the District, are potentially subject to additional

restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States." The CWR expands the federal definition of what is a jurisdictional water, which could negatively impact development in the District.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required 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. Unknown future costs associated with these compliance activities may be significant in the future.

### **Changes in Tax Legislation**

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

## **THE DISTRICT**

### **General**

The District, a political subdivision of the State of Texas, was created by a special act of the 81<sup>st</sup> Texas Legislature, effective May 27, 2009, now codified as Chapter 8350. The District operates pursuant to Chapter 8350, Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution.

The District is empowered, among other things, to finance, 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; the control and diversion of storm water and the provision of parks and recreational facilities. The District is also empowered to construct, acquire, improve, maintain, or operate roads and improvements in aid thereof. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston for creation of the District, within whose extraterritorial jurisdiction the District lies, the District has agreed to observe certain City requirements. These requirements, among others, limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, recreational facilities and roads, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of District construction plans.

### **Description**

The District contains approximately 603.28 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located north of Interstate Highway I-10, west of the Grand Parkway, and north of the City of Katy. The southern tract of the District is bound by Clay Road to the south and Porter Rod to the east. The northern portion of the District is bound by Stockdick School Road to the south and is bisected by Katy Hockley Cut Off Road. The District lies within the Katy Independent School District. See "APPENDIX A - LOCATION MAP."

## Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Steve Sams	President	2020
Kenneth Whitmore	Vice President	2018
Tim Duffy	Assistant Vice President	2018
Jackie Taylor	Secretary	2020
Ashlea Perkins	Assistant Secretary	2018

The District does not have a general manager or any other employee, but has contracted for services, as follows.

**Tax Assessor/Collector** - The District has engaged Thomas W. Lee of Assessments of the Southwest, as the District's Tax Assessor/Collector. According to Mr. Lee, he presently serves approximately 135 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Brazoria County Appraisal District and the Harris County Appraisal District and bills and collects such levy.

**Consulting Engineers** - The District has engaged the firm of LJA Engineering, Inc., Houston, Texas, as consulting engineer to the District.

**Bookkeeper** - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 315 districts as bookkeeper.

**Auditor** - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's auditor for the 2016 fiscal year is McGrath & Co., PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended February 29, 2016, is included as "APPENDIX B" to this Official Statement.

**Bond Counsel and General Counsel** - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is 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. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

**Disclosure Counsel** - McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

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

## **DEVELOPMENT AND HOME CONSTRUCTION**

As of March 1, 2017, the District contained 447 homes, including 101 homes under construction. See “BUILDERS.” According to the District’s Engineer, underground water distribution, wastewater collection, and storm drainage facilities, detention facilities and street paving have been completed to serve 670 single-family residential lots located in King Crossing, Sections 1 through 7 and 9 and Katy Manor, Sections 1 through 3 (approximately 198.06 total acres) in the District as is delineated in the chart that appears below. In addition, as is also delineated in the chart, 341 additional single-family residential lots (approximately 148.91 total acres) are currently under development (King Crossing, Sections 8 and 10 and Katy Manor, Sections 4 and 5). According to the District’s engineer, the detention ponds to serve Katy Manor at full development have been constructed with the exception of the outfall drainage facilities. The outfall drainage channel serving Katy Manor that will connect the detention ponds to South Mayde Creek, which will enable the ponds to ultimately drain into South Mayde Creek, has been designed but not yet constructed, pending acquisition of the land on which the drainage channel will be constructed. The District’s operator temporarily pumps down the detention ponds as necessary to maintain adequate detention storage in the ponds. Permits for new home construction in Katy Manor are currently being issued by Harris County based upon the temporary pumping arrangement, but could be suspended at any time until the construction of the outfall channel is complete.

The developers of King Crossing located within the District, Beazer Homes Texas, L.P. (“Beazer Homes”) and Pulte Homes of Texas, L.P. (“Pulte”) (described below under the caption “DEVELOPERS”), have completed the development of 565 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 7 and 9. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 7 and 9. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte has taken title to one-half of such fully-developed single-family residential lots for home building purposes. Beazer Homes and Pulte own approximately 121.78 acres of land located within the District on which they have undertaken the development of 227 single-family residential lots that have been subdivided as King Crossing, Sections 8 and 10, the development of which, including street paving, is anticipated to be completed by approximately April 2017. Beazer Homes and Pulte own approximately 24.13 acres of currently undeveloped land located within the District that are available for future development, all of which they expect to be utilized for future single-family residential development.

The developer of Katy Manor located within the District, KB Home Lone Star, Inc. (“KB”) (described below under the caption “DEVELOPERS”), has completed the development of 105 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 3. KB owns approximately 27.13 acres of land located within the District on which it has undertaken the development of 114 single-family residential lots that have been subdivided as Katy Manor, Section 4 (29 single-family residential lots) and Section 5 (85 single-family residential lots), the development of which, including street paving, is anticipated to be completed by approximately April 2017. KB owns approximately 65.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development.

Telephone Investments, Inc., a Texas Corporation (“Telephone”) (described below under the caption “DEVELOPERS”) owns approximately 156.15 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

Approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken.

The District cannot represent that the development of King Crossing, Sections 8 and 10 or Katy Manor, Sections 4 and 5 will be completed, nor whether, or when, the development of any the aforementioned currently undeveloped acres might occur. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2016 Taxpayers.”

In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See “THE BONDS - Issuance of Additional Debt,” “RISK FACTORS - Future Debt” and “FUTURE DEVELOPMENT.”

As of March 1, 2017, the status of lot development and home construction in the District was as follows:

Subdivision	Lots		Homes						Totals
	Developed	Acres	Under Development	Acres	Under Construction Sold*	Under Construction Unsold	Completed Sold*	Completed Unsold	
King Crossing									
Section 1	42	14.58			2	0	35	0	37
Section 2	79	29.34			2	0	54	10	66
Section 3	67	17.30			1	2	63	0	66
Section 4	49	11.59			1	3	38	2	44
Section 5	59	18.38			5	2	25	2	34
Section 6	87	25.02			5	7	66	0	78
Section 7	85	31.26			21	1	22	0	44
Section 8			112	80.85	0	0	0	0	0
Section 9	97	26.54			18	0	13	0	31
Section 10			115	40.93	0	0	0	0	0
Katy Manor									
Section 1	8	2.80			0	0	0	6	6
Section 2	69	13.56			25	0	5	0	30
Section 3	28	7.69			6	0	5	0	11
Section 4			29	7.69	0	0	0	0	0
Section 5			85	19.44	0	0	0	0	0
TOTALS	670	198.06	341	148.91	86	15	326	20	447

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

## DEVELOPERS

### General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the municipal utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

### Description of the Developers

The developers of King Crossing located within the District, Beazer Homes and Pulte, have completed the development of 565 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 7 and 9. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 7 and 9. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte has taken title to one-half of such fully-developed single-family residential lots for home building purposes. Beazer Homes and Pulte own approximately 121.78 acres of land located within the District on which they have undertaken the development of 227 single-family residential lots that have been subdivided as King Crossing, Sections 8 and 10, the development of which, including street paving, is anticipated to be completed by approximately April 2017. Beazer Homes and Pulte own approximately 24.13 acres of currently undeveloped land located within the District that are available for future development, all of which they expect to be utilized for future single-family residential development.

The developer of Katy Manor located within the District, KB, has completed the development of 105 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 3. KB owns approximately 27.13 acres of land located within the District on which it has undertaken the development of 114 single-family residential lots that have been subdivided as Katy Manor, Section 4 (29 single-family residential lots) and Section 5 (85 single-family residential lots), the development of which, including street paving, is anticipated to be completed by approximately April 2017. KB owns approximately 65.75 acres of currently undeveloped land located within the District that are available for future development, all of which they expect to be utilized for future single-family residential development.

Beazer Homes' sole general partner is Beazer Homes Texas Holdings, Inc., a Delaware corporation, which is wholly-owned by Beazer Homes, U.S.A. Beazer Homes U.S.A. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Pulte is wholly-owned by Pulte Corporation, a Michigan corporation, whose stock is listed on the New York Stock Exchange. KB Home Lone Star, Inc. operates as a subsidiary of KB Home, a Delaware Corporation, whose stock is listed on the New York Stock Exchange. Beazer Homes U.S.A., Pulte Corporation and KB Home are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Beazer Homes U.S.A., Pulte Corporation and KB Home can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C.



20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Reference to the financial information concerning Beazer Homes U.S.A., Pulte Corporation and KB Home is relevant, among other reasons, to the ability of Beazer Homes, Pulte and KB to continue to develop land in the District and to pay taxes levied by the District and other taxing entities. Neither Beazer Homes, Pulte, KB nor Beazer Homes U.S.A., Pulte Corporation and KB Home has made any commitment to pay debt service on the Bonds, and reference to the financial information of Beazer Homes U.S.A., Pulte Corporation and KB Home in this Official Statement should not be so construed. The District has not obtained any representations from Beazer Homes U.S.A., Pulte Corporation or KB Home concerning its publically available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Telephone owns approximately 156.15 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

Approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken.

The District cannot represent that the development of King Crossing, Sections 8 and 10 or Katy Manor, Sections 4 and 5 will be completed, nor whether, or when, the development of any the aforementioned currently undeveloped acres might occur. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2016 Taxpayers.”

## **BUILDERS**

According to Beazer Homes and Pulte, they are currently constructing homes in King Crossing which range in size from approximately 1,512 to 3,847 square feet of living area and in sales price from approximately \$196,990 to \$354,990.

According to the KB, it is currently constructing homes in Katy Manor which range in size from approximately 1,570 to 2,249 square feet of living area and in sales price from approximately \$174,495 to \$249,995.

Beazer Homes, Pulte and KB (collectively, the “Builders”) may change the types, sizes and sales prices of the homes which it chooses to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

## **FUTURE DEVELOPMENT**

As is described above under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” approximately 198.06 acres of the total of approximately 603.28 acres of land located within the District have been developed into 670 single-family residential lots, the development of which is complete, and approximately 148.91 acres are being developed into 341 future single-family residential lots. Beazer Homes and Pulte own approximately 24.13 acres of currently undeveloped land located within the District that available for future development, all of which they expect to be utilized for future single-family residential development. KB owns approximately 65.75 acres of currently undeveloped land located within the District that available for future development, all of which it expects to be utilized for future single-family residential development. Telephone owns approximately 156.15 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development. Approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken. The balance of the land

located in the District is contained within easements, rights-of-way, detention ponds, or are otherwise not available for future development. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS” and “TAX DATA - Principal 2016 Taxpayers.” Since no party, including Beazer Homes, Pulte, KB or Telephone, is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District as described below under the caption “THE SYSTEM.” See “RISK FACTORS - Future Debt.” In addition to the water distribution, wastewater collection, storm drainage/detention facilities that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See “THE BONDS - Issuance of Additional Debt” and “RISK FACTORS - Future Debt.”

**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(taken March 2017)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
(taken March 2017)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken March 2017)



## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the principal and estimated interest requirements of the Bonds.

<u>Year</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements</u>
	<u>Principal (Due 9-1)</u>	<u>Interest *</u>	
2018		\$ 405,650	\$ 405,650
2019	110,000	304,238	414,238
2020	115,000	299,012	414,012
2021	125,000	293,550	418,550
2022	130,000	287,613	417,613
2023	135,000	281,438	416,438
2024	145,000	275,025	420,025
2025	150,000	268,138	418,138
2026	160,000	261,012	421,012
2027	165,000	253,413	418,413
2028	175,000	245,575	420,575
2029	180,000	237,263	417,263
2030	190,000	228,712	418,712
2031	200,000	219,688	419,688
2032	210,000	210,187	420,187
2033	220,000	200,213	420,213
2034	230,000	189,762	419,762
2035	240,000	178,838	418,838
2036	250,000	167,437	417,437
2037	265,000	155,563	420,563
2038	275,000	142,975	417,975
2039	290,000	129,913	419,913
2040	305,000	116,137	421,137
2041	315,000	101,650	416,650
2042	330,000	86,687	416,687
2043	350,000	71,012	421,012
2044	365,000	54,387	419,387
2045	380,000	37,050	417,050
2046	<u>400,000</u>	<u>19,000</u>	<u>419,000</u>
	<u>\$6,405,000</u>	<u>\$5,721,138</u>	<u>\$12,126,138</u>

\* Interest is estimated at 4.75% per annum for purposes of illustration.

Average Annual Requirements (2018-2046) .....	\$418,143
Maximum Annual Requirement (2040) .....	\$421,137

**Bonded Indebtedness**

2016 Assessed Valuation . . . . .		\$38,467,210(a)
(As of January 1, 2016)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation at January 1, 2017 . . . . .		\$115,825,627(b)
(100% of estimated assessed value as of January 1, 2017)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:     The Bonds . . . . .		\$ 6,405,000(c)
Estimated Overlapping Debt . . . . .		<u>\$ 1,745,997</u>
Direct and Estimated Overlapping Debt . . . . .		<u>\$ 8,150,997(c)</u>
Direct Debt Ratios		
: as a percentage of 2016 Assessed Valuation . . . . .		16.65%
: as a percentage of Estimated Valuation at January 1, 2017 . . . . .		5.53%
Direct and Estimated Overlapping Debt Ratios		
: as a percentage of 2016 Assessed Valuation . . . . .		21.19%
: as a percentage of Estimated Valuation at January 1, 2017 . . . . .		7.04%
Debt Service Fund Balance Estimated as of Delivery of the Bonds . . . . .		\$ 608,475(d)
2016 Tax Rate Per \$100 of Assessed Valuation		
Debt Service Tax . . . . .	\$0.00	
Maintenance Tax . . . . .	<u>1.50</u>	
Total . . . . .		\$1.50(e)
Anticipated Approximate 2017 Tax Rate Per \$100 of Assessed Valuation		
Debt Service Tax . . . . .	\$0.41	
Maintenance Tax . . . . .	<u>1.09</u>	
Total . . . . .		\$1.50(e)

- 
- (a) As of January 1, 2016. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2017, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2016, through December 31, 2016. No taxes were levied for 2016 against any values added since January 1, 2016. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2016, through December 31, 2016, which will be placed on the District's 2017 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2017.
  - (c) In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "FUTURE DEVELOPMENT."

- (d) The District will capitalize an amount equal to the initial 24 months of interest payments from the proceeds of the sale of the Bonds, and will deposit such sum in the Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
- (e) The District levied a tax rate of \$1.50 per \$100 of Assessed Valuation for 2016, all of which is a maintenance tax. The District anticipates levying its first debt service tax in 2017 in connection with the issuance of the Bonds. Such initial debt service tax is expected to be in the approximate amount of \$0.41 per \$100 of Assessed Valuation. The District anticipates levying a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation in 2017. Therefore, the District's combined total tax for 2017 is expected to be \$1.50 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2016 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2016 tax rate, is \$3.75128 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

**Estimated Direct and Overlapping Debt Statement**

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

<u>Taxing Jurisdiction</u>	<u>Debt as of March 1, 2017</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County (i)	\$2,303,812,874	0.00914%	\$ 210,479
Harris County Department of Education	6,780,000	0.00914	619
Harris County Flood Control District	83,075,000	0.00914	7,590
Port of Houston Authority	657,994,397	0.00914	60,115
Katy Independent School District	1,385,211,791	0.10551	1,461,567
Harris County Hospital District	61,595,000	0.00914	<u>5,627</u>
Total Estimated Overlapping Debt			\$1,745,997
The District (the Bonds)			<u>6,405,000</u>
Total Direct & Estimated Overlapping Debt			\$8,150,997

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



**Debt Ratios**

	<u>% of 2016 Assessed Valuation</u>	<u>% of Estimated Valuation at January 1, 2017</u>
Direct Debt . . . . .	16.65%	5.53%
Direct and Estimated Overlapping Debt . . . . .	21.19%	7.04%

**TAX DATA**

**Debt Service Tax**

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds that may be issued by the District from time to time. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see “THE BONDS” and “RISK FACTORS”). The actual rate of such tax is determined annually as a function of the District’s tax base, its debt service requirements, and available funds. The District anticipates levying its initial debt service tax in 2017 of approximately \$0.41 per \$100 of Assessed Valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electorate. On May 10, 2014, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$1.50 per \$100 of Assessed Valuation for 2016. The District expects to levy a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation for 2017.

On May 10, 2014, the District voters authorized the levy of a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation for the purpose of maintaining roads in the District. As of the date hereof, the District has not levied a road maintenance tax. Such tax would be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future and the maintenance tax described above.

**Historical Values and Tax Collection History**

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current &amp; Prior Years (b)</u>	<u>Year Ending 9/30</u>
2014	\$ 77,656	\$1.50	\$ 1,164	100.00%	2015
2015	9,395,091	1.50	140,926	99.74	2016
2016	38,467,210	1.50	577,008	92.46(c)	2017

(a) Per \$100 of Assessed Valuation.

(b) Such percentage reflects cumulative total collections for said year from the time the annual tax was levied through February 28, 2017. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of March 21, 2017. In process of collection.

**Analysis of Tax Base**

The following table illustrates the composition of property located within the District for the last three years.

<u>Type of Property</u>	<u>2016</u>		<u>2015</u>		<u>2014</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$17,152,750	44.59%	\$13,163,151	140.11%	\$7,016,288	9035.09%
Improvements	22,603,343	58.76	0	0.00	0	0.00
Personal Property	82,304	0.21	0	0.00	0	0.00
Exemptions	<u>(1,371,187)</u>	<u>(3.56)</u>	<u>(3,768,060)</u>	<u>(40.11)</u>	<u>(6,938,632)</u>	<u>(8935.09)</u>
Total	\$38,467,210	100.00%	\$9,395,091	100.00%	\$ 77,656	100.00%

**Principal 2016 Taxpayers**

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2016. The information reflects the composition of property ownership reflected on the District's 2016 tax roll. See "DEVELOPERS."

<u>Taxpayer*</u>	<u>Type of Property</u>	<u>Assessed Valuation 2016 Tax Roll</u>	<u>% of 2016 Tax Roll</u>
Beazer Homes Texas, L.P.	Lots and Houses	\$3,617,613	9.40%
Pulte Homes of Texas, L.P.	Lots and Houses	3,487,890	9.07
Property Owner	House	387,429	1.01
Property Owner	House	372,977	0.97
Property Owner	House	354,167	0.92
Property Owner	House	353,435	0.92
Property Owner	House	346,283	0.90
Property Owner	House	345,965	0.90
Property Owner	House	334,981	0.87
Property Owner	House	<u>334,757</u>	<u>0.87</u>
		\$9,935,497	25.83%

\* KB owns property subject to taxation within the District (see "DEVELOPMENT AND HOME CONSTRUCTION"), the market value of which is approximately \$1,014,938 according to the District's 2016 Certified Tax Roll. KB filed an agricultural exemption with the Harris County Appraisal District for tax year 2016 which reduced the taxable value of such property to \$9,040. KB has executed a Waiver of Special Appraisal and such property owned by KB will be taxed at its full appraised value for tax years 2017 and following. See "TAX PROCEDURES - Valuation of Property for Taxation." The property owned by Telephone (see "DEVELOPMENT AND HOME CONSTRUCTION") has not been certified for tax year 2016. According to the District's Tax Assessor, the proposed market value of such property is \$3,777,741. The ultimate assessed valuation of land owned by KB and Telephone may vary significantly from such amounts once the Appraisal Review Board certifies the value thereof.

**Tax Exemption**

Certain property in the District may be exempt from taxation. See "TAXING PROCEDURES." The District does not exempt any percentage of the market value of any residential homesteads from taxation.

**Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the Estimated Valuation at January 1, 2017. The calculations also assume collection of 90% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District.

Average Annual Debt Service Requirements (2018-2046) .....	\$418,143
Tax Rate of \$0.41 on the Estimated Valuation at January 1, 2017 (\$115,825,627) produces .....	\$427,397
Maximum Annual Debt Service Requirement (2040) .....	\$421,137
Tax Rate of \$0.41 on the Estimated Valuation at January 1, 2017 (\$115,825,627) produces .....	\$427,397

The District levied a tax rate of \$1.50 per \$100 of Assessed Valuation for 2016, all of which is a maintenance tax. The District anticipates levying its first debt service tax in 2017 in connection with the issuance of the Bonds. Such initial debt service tax is expected to be in the approximate amount of \$0.41 per \$100 of Assessed Valuation. The District anticipates levying a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation in 2017. Therefore, the District's combined total tax for 2017 is expected to be \$1.50 per \$100 of Assessed Valuation. As the above table indicates, the anticipated approximate 2017 debt service rate will be sufficient to pay debt service on the Bonds given taxable values in the District at the level of the Estimated Valuation at January 1, 2017, assuming a tax collection rate of 90%, no use of funds on hand, and the issuance of no additional bonds by the District. In addition to the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt," - Taxable Values and Tax Payments," "FUTURE DEVELOPMENT." - Factors Affecting and "TAXING PROCEDURES."

## Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2016 taxes levied upon property located within the District, including the District's 2016 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

### HARRIS COUNTY OVERLAPPING TAX RATES

<u>Taxing Jurisdiction</u>	<u>2016 Tax Rate/\$100</u>
Harris County	\$0.41656
Harris County Department of Education	0.00520
Harris County Flood Control District	0.02829
Port of Houston Authority	0.01334
Harris County Hospital District	0.17179
Katy Independent School District	1.51660
Waller-Harris Emergency Services District 200	0.09950
The District*	<u>1.50000</u>
	\$3.75128

\* The District levied a maintenance tax of \$1.50 per \$100 of Assessed Valuation for 2016. The District anticipates levying a total tax of \$1.50 per \$100 of Assessed Valuation for 2017, consisting of a debt service tax of approximately \$0.41 per \$100 of Assessed Valuation and a maintenance tax of approximately \$1.09 per \$100 of Assessed Valuation.

### TAXING PROCEDURES

#### Authority to Levy Taxes

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

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

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

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

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

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

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

District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

Harris County may designate all or part of the District as a reinvestment zone, and the District, and Harris County, at the option and discretion of each entity, may thereafter enter into tax abatement agreements with the 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 abatements to owners of property. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, including the District, for a period of up to ten 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone. 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, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent (10%) annually regardless of the market value of the property.

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

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

## **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

## **Levy and Collection of Taxes**

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

## **Rollback of Operation and Maintenance Tax Rate**

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 tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, the debt service tax rate cannot be changed by a rollback election.

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

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



At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

## **THE SYSTEM**

### **Regulation**

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers. Harris County and the City also exercise regulatory jurisdiction over the District's System. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 603.28 acres is 1,807 with a total estimated population of 3,804 people. The following descriptions are based upon information supplied by the District's Engineer.

### **Description**

The District will finance certain of its costs of construction or acquisition of components of the water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities, and other facilities that have been constructed to serve the land within the District with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District will finance the construction or acquisition of additional components of the System with portions of the proceeds of the sale of bonds, if any, that the District expects to issue in the future. The District anticipates issuing the 2017 BAN in the approximate amount of \$8,050,000 in approximately the second or third quarter of 2017. Additionally, the District anticipates issuing up to approximately \$16,000,000 of Unlimited Tax Bonds in 2018, a portion of the proceeds of which will retire the 2017 BAN. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "FUTURE DEVELOPMENT."

### **Water Supply**

The District has entered into a cost sharing agreement (the "Water Plant Cost Sharing Agreement") relating to the financing, construction and operation of the water supply facilities that serve, or will serve, land within the District and Harris County Municipal Utility District No. 538 ("MUD 538"). The District owns and operates the water plant facilities. The first phase of the water plant has been completed, and includes an 800 gallons per minute ("g.p.m.") well, 20,000 gallon pressure tank, 320,000 gallon ground storage tank and booster pumps totaling 2,500 g.p.m. Pursuant to the Water Plant Cost Sharing Agreement, the District's share in the first phase of the water plant is 64.71%, which is sufficient to serve 647 equivalent single-family connections (ESFCs). Construction of Water Plant Phase 2 is planned to commence in approximately April 2017, with completion expected in approximately April 2018. Pursuant to the Water Plant Cost Sharing Agreement, the District will have sufficient capacity in the water plant to serve 2,442 ESFCs upon completion of Water Plant Phase 2 construction.

The District has a water supply interconnect with Harris County Municipal Utility District No. 536, which allows water supply service between the districts on an emergency basis.

## **Subsidence and Conversion to Surface Water Supply**

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of \$8.46 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

## **Wastewater Treatment**

Wastewater treatment for the District is provided by a leased wastewater treatment plant with a capacity of 150,000 gallons per day ("g.p.d."). The District has entered into a Wastewater Capacity Cost Sharing Agreement (the "WWTP Cost Sharing Agreement") relating to the financing, construction and operation of the wastewater treatment plant that serves, or will serve, land within the District and MUD 538. Pursuant to the WWTP Cost Sharing Agreement, the District's share of the wastewater treatment plant phase 1 is 64.71%, which is sufficient to serve 324 ESFCs. The Phase 2 expansion of the wastewater treatment plant is expected to commence in approximately April 2017. Upon completion

(expected approximately August 2017), the wastewater treatment plant will have a total capacity of 300,000 g.p.d. The District's share of such capacity will be 82.3%, which is sufficient to serve 823 ESFCs. The District must continue to expand the interim plant in order to provide wastewater treatment to serve the entirety of the District.

## **Storm Drainage**

### *King Crossing*

According to the District's Engineer, underground storm sewer facilities to serve Sections 1 through 10 have been constructed. The system drains to detention ponds which have been constructed and ultimately drains into an existing offsite drainage channel that outfalls into South Mayde Creek.

### *Katy Manor*

According to the District's Engineer, the detention ponds to serve Katy Manor at full development have been constructed with the exception of the outfall drainage facilities. The outfall drainage channel serving Katy Manor that will connect the detention ponds to South Mayde Creek, has been designed but has not been constructed, pending acquisition of the land on which the drainage channel will be constructed. The District's operator temporarily pumps down the detention ponds as necessary to maintain adequate detention storage. Permits for new home construction in Katy Manor are currently being issued by Harris County, but could be suspended at any time until the construction of the outfall channel is complete.

### *Katy Pointe*

According to the District's Engineer, the detention facilities to serve Katy Pointe have been designed but have not yet been constructed. The development of Katy Pointe has not commenced as of the date hereof. See "DEVELOPMENT AND HOME CONSTRUCTION."

## **100-Year Flood Plain**

According to the District's Engineer, the developable land is shown on the Flood Insurance Rate Maps for Harris County, Texas, Nos. 48201CO580L and 48201CO585L, effective June 18, 2007. According to these maps, approximately 20 acres of the proposed development land is shown to be located within the effective floodplain. This area was removed from the floodplain by placement of fill above the flood plain elevation, which was acknowledged and permitted by the FEMA Letter of Map Revision (LOMR) which became effective on March 3, 2017.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the unqualified approving legal 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, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING

DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP 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. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel.

#### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

#### **No Material Adverse Change**

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

### **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

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

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

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax.

Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

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

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

for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

### **Not Qualified Tax-Exempt Obligations**

The Bonds are **not** “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code.

## **OFFICIAL STATEMENT**

### **General**

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

The District’s financial statements for the fiscal year ended February 29, 2016, were audited by McGrath & Co., PLLC, and have been included herein as “APPENDIX B.”

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE BONDS - Use and Distribution of Bond Proceeds,” “THE DISTRICT” and “THE SYSTEM” has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” was provided by Mr. Thomas W. Lee and Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee’s and Assessments of the Southwest, Inc.’s authority as an expert in the field of tax collection and the Appraisal Districts’ authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

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

### **Official Statement “Deemed Final”**

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

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

## **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 outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

## **Annual Reports**

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in APPENDIX B (the District's Audited Financial Statements and certain supplemental schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2017. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (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; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

#### **Compliance With Prior Undertakings**

The District has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12 since this is the District’s first issue of bonds.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 495 as of the date shown on the first page hereof.

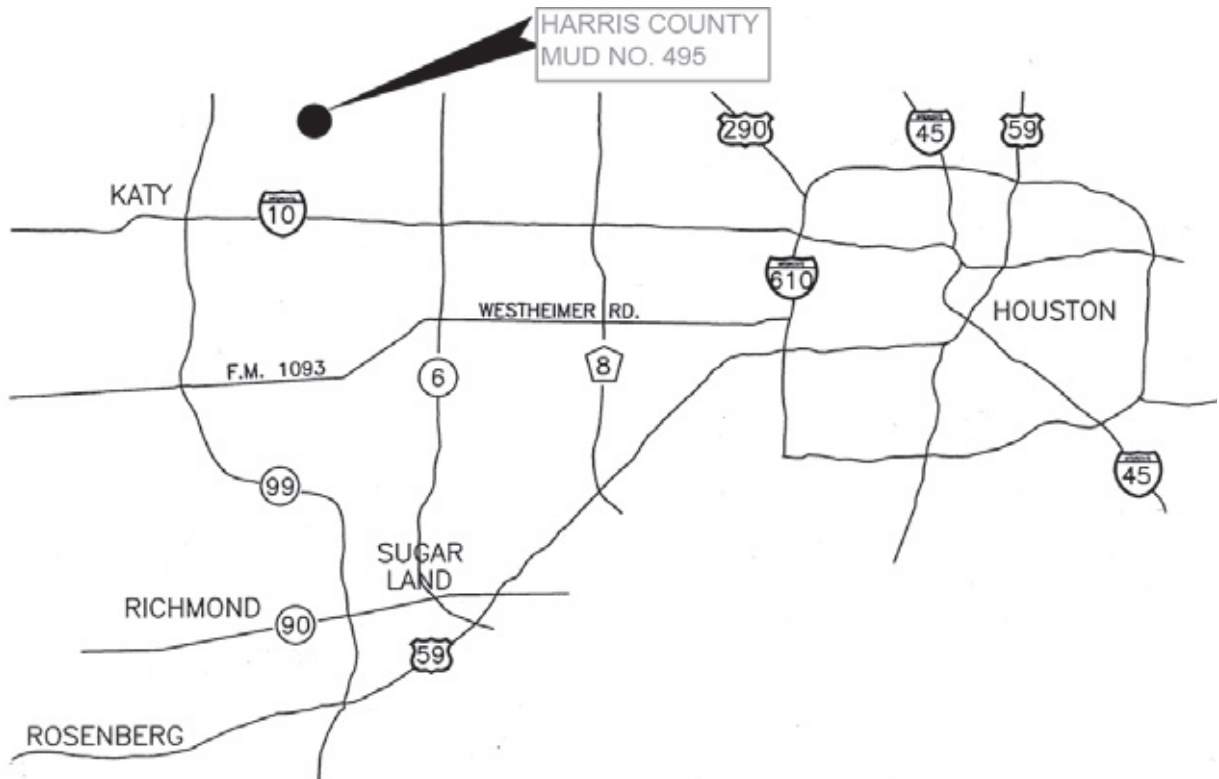
President, Board of Directors  
Harris County Municipal  
Utility District No. 495

ATTEST:

Secretary, Board of Directors  
Harris County Municipal  
Utility District No. 495



APPENDIX A  
LOCATION MAP





**APPENDIX B**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 495**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**FEBRUARY 29, 2016**



**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 495**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**February 29, 2016**





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# McGrath & Co., PLLC

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## Independent Auditors' Report

Board of Directors  
Harris County Municipal Utility District No. 495  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 495, as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 to provide a basis for our audit opinions.

***Board of Directors  
Harris County Municipal Utility District No. 495  
Harris County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 495, as of February 29, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary 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. The information has been subjected to the auditing procedures applied to 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 taken as a whole.

*McGuire & Co, PA*

Houston, Texas  
June 1, 2016

## **Management's Discussion and Analysis**

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## **Using this Annual Report**

Within this section of the financial report of Harris County Municipal Utility District No. 495 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 29, 2016. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

## **Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

## **Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 495  
Management's Discussion and Analysis  
February 29, 2016***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

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

The District's net position at February 29, 2016, was negative \$657,855. This amount is negative because the District relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of February 29, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,485,648	\$ 1,086,966
Capital assets	12,576,504	
Total assets	<u>14,062,152</u>	<u>1,086,966</u>
Current liabilities	1,428,767	1,205,335
Long-term liabilities	13,291,240	210,000
Total liabilities	<u>14,720,007</u>	<u>1,415,335</u>
Net position		
Net investment in capital assets	(271,328)	
Unrestricted	(386,527)	(328,369)
Total net position	<u>\$ (657,855)</u>	<u>\$ (328,369)</u>



***Harris County Municipal Utility District No. 495  
Management's Discussion and Analysis  
February 29, 2016***

The total net position of the District decreased by \$329,486. A comparative summary of the District's Statement of Activities for the past two years is as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Water and sewer service	\$ 74,222	\$ 619
Property taxes	246,874	1,165
Other	437,777	
Total revenues	<u>758,873</u>	<u>1,784</u>
Expenses		
Current service operations	817,031	330,153
Depreciation	271,328	
Total expenses	<u>1,088,359</u>	<u>330,153</u>
Change in net position	(329,486)	(328,369)
Net position, beginning of year	(328,369)	
Net position, end of period	<u>\$ (657,855)</u>	<u>\$ (328,369)</u>

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

The District's combined fund balances, as of February 29, 2016, were \$56,536, which consists of \$33,136 in the General Fund and \$23,400 in the Joint Wastewater Treatment Plant Fund.

*General Fund*

Comparative summaries of the General Fund's financial position as of February 29, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Total assets	<u>\$ 1,426,955</u>	<u>\$ 1,086,966</u>
Total liabilities	\$ 1,393,474	\$ 1,205,335
Total deferred inflows	345	
Total fund balance	33,136	(118,369)
Total liabilities, deferred inflows and fund balance	<u>\$ 1,426,955</u>	<u>\$ 1,086,966</u>

*Harris County Municipal Utility District No. 495  
Management's Discussion and Analysis  
February 29, 2016*

Comparative summaries of the General Fund's activities for the current and prior fiscal year are as follows:

	<u>2016</u>	<u>2015</u>
Total revenues	\$ 635,064	\$ 1,784
Total expenditures	<u>(716,967)</u>	<u>(330,153)</u>
Revenues under expenditures	(81,903)	(328,369)
Other changes in fund balance	233,408	210,000
Net change in fund balance	<u>\$ 151,505</u>	<u>\$ (118,369)</u>

The District's expenditures exceeded revenues for the current and prior fiscal year. The District relies on advances from its developers to supplement revenue shortfalls. Fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund.

*Joint Water Plant Fund*

The Joint Water Plant Fund was established to account for the operating and maintenance costs of the District's water plant in accordance with the District's Water Plant Cost Sharing Agreement (see Note 6). A summary of the Joint Water Plant Fund's financial position as of February 29, 2016 is as follows:

Total assets	<u>\$ 27,050</u>
Total liabilities	<u>\$ 27,050</u>

A summary of activities in the Joint Water Plant Fund for the current fiscal year is as follows:

Total revenues	\$ 80,578
Total expenditures	<u>(80,578)</u>
Revenues over/(under) expenditures	<u>\$ -</u>

Revenues in the Joint Water Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

**Harris County Municipal Utility District No. 495**  
**Management's Discussion and Analysis**  
**February 29, 2016**

*Joint Wastewater Treatment Plant Fund*

The Joint Wastewater Treatment Plant Fund is used to account for the operating and maintenance costs of the District's wastewater treatment plant in accordance with the District's Wastewater Capacity Cost Sharing Agreement (see Note 7). A summary of the Joint Wastewater Treatment Plant Fund's financial position as of February 29, 2016 is as follows:

Total assets	<u>\$ 53,055</u>
Total liabilities	\$ 29,655
Total fund balance	<u>23,400</u>
Total liabilities and fund balance	<u>\$ 53,055</u>

A summary of activities in the Joint Wastewater Treatment Plant Fund for the current fiscal year is as follows:

Total revenues	\$ 42,886
Total expenditures	<u>(19,486)</u>
Revenues over/(under) expenditures	<u>\$ 23,400</u>

Revenues in the Joint Wastewater Treatment Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. However, during the current fiscal year the District billed participants for expenditures related to the lease of a temporary wastewater treatment plant recognized as prepaid items. See Note 11 for additional information.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$117,940 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at February 29, 2016 are summarized as follows:

Capital assets not being depreciated	
Land and improvements	<u>\$ 1,950,445</u>
Capital assets being depreciated	
Infrastructure	<u>10,897,387</u>
Less accumulated depreciation	<u>(271,328)</u>
Depreciable capital assets, net	<u>10,626,059</u>
Capital assets, net	<u><u>\$ 12,576,504</u></u>

The District completed construction of the following during the current year:

- Water, sewer, drainage and paving facilities to serve King Crossing Sections 1, 2, 3, 5, and 6
- Water, sewer, drainage and paving facilities to serve King Crossing Section 4 and recreation center
- Katy Hockley cut-off road and Stockdick School Road left turn lanes
- King Crossing Lakes A-G and outfall channel
- Wastewater treatment plant access road and drainage
- Water plant – Phase I

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction. As of February 29, 2016, the District owes the developers \$13,291,240 for completed projects. As discussed in Note 8, the District has contractual commitments for ongoing construction projects in the amount of \$10,513,241. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the projects will be recorded on the District's financial statements.

*Harris County Municipal Utility District No. 495  
 Management's Discussion and Analysis  
 February 29, 2016*

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2016 Actual</u>	<u>2017 Budget</u>
Total revenues	\$ 635,064	\$ 434,500
Total expenditures	<u>(716,967)</u>	<u>(682,221)</u>
Revenues over/(under) expenditures	(81,903)	(247,721)
Other changes in fund balance	<u>233,408</u>	<u>250,000</u>
Net change in fund balance	151,505	2,279
Beginning fund balance	<u>(118,369)</u>	33,136
Ending fund balance	<u><u>\$ 33,136</u></u>	<u><u>\$ 35,415</u></u>

**Property Taxes**

The District's property tax base increased approximately \$9,293,000 for the 2015 tax year from \$77,656 to \$9,370,425. This increase was primarily due to new construction and increased property values in the District. For the 2015 tax year, the District levied a maintenance tax rate of \$1.50 per \$100 of assessed value. This is the same rate levied for the 2014 tax year.

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## **Basic Financial Statements**

*Harris County Municipal Utility District No. 495*  
*Statement of Net Position and Governmental Funds Balance Sheet*  
*February 29, 2016*

	General Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 218,536	\$ 555	\$ 6,728	\$ 225,819	\$ -	\$ 225,819
Taxes receivable	345			345		345
Customer service receivables	27,259			27,259		27,259
Internal balances	(8,626)	5,421	3,205			
Due from participants		21,074	19,722	40,796		40,796
Restricted cash	1,162,934			1,162,934		1,162,934
Prepaid items	5,095		23,400	28,495		28,495
Operating reserves						
Joint wastewater treatment plant	8,412			8,412	(8,412)	
Joint water plant	13,000			13,000	(13,000)	
Capital assets not being depreciated					1,950,445	1,950,445
Capital assets, net					10,626,059	10,626,059
<b>Total Assets</b>	<b>\$ 1,426,955</b>	<b>\$ 27,050</b>	<b>\$ 53,055</b>	<b>\$ 1,507,060</b>	<b>12,555,092</b>	<b>14,062,152</b>
<b>Liabilities</b>						
Accounts payable	\$ 81,122	\$ 7,050	\$ 16,655	\$ 104,827		104,827
Accounts payable from restricted assets	428,920			428,920		428,920
Retainage payable from restricted assets	133,631			133,631		133,631
Construction advances	656,375			656,375		656,375
Customer deposits	18,375			18,375		18,375
Unearned revenue	5,260			5,260		5,260
Operating reserve		20,000	13,000	33,000	(21,412)	11,588
Annexation deposits	3,159			3,159		3,159
Due to others	66,632			66,632		66,632
Due to developers					13,291,240	13,291,240
<b>Total Liabilities</b>	<b>1,393,474</b>	<b>27,050</b>	<b>29,655</b>	<b>1,450,179</b>	<b>13,269,828</b>	<b>14,720,007</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	345			345	(345)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	5,095		23,400	28,495	(28,495)	
Unassigned	28,041			28,041	(28,041)	
<b>Total Fund Balances</b>	<b>33,136</b>		<b>23,400</b>	<b>56,536</b>	<b>(56,536)</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,426,955</b>	<b>\$ 27,050</b>	<b>\$ 53,055</b>	<b>\$ 1,507,060</b>		
<b>Net Position</b>						
Net investment in capital assets					(271,328)	(271,328)
Unrestricted					(386,527)	(386,527)
<b>Total Net Position</b>					<b>\$ (657,855)</b>	<b>\$ (657,855)</b>

See notes to basic financial statements.



*Harris County Municipal Utility District No. 495*

*Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended February 29, 2016*

	General Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 34,756	\$ -	\$ -	\$ 34,756	\$ -	\$ 34,756
Sewer service	39,466			39,466		39,466
Participant billings		80,571	42,886	123,457		123,457
Property taxes	246,529			246,529	345	246,874
Penalties and interest	883			883		883
Regional Water Authority fees	26,148			26,148		26,148
Tap connection and inspection	284,030			284,030		284,030
Miscellaneous	2,454			2,454		2,454
Investment earnings	798	7		805		805
<b>Total Revenues</b>	<b>635,064</b>	<b>80,578</b>	<b>42,886</b>	<b>758,528</b>	<b>345</b>	<b>758,873</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	81,325			81,325		81,325
Professional fees	321,604			321,604		321,604
Contracted services	177,074	8,414	1,050	186,538		186,538
Repairs and maintenance	113,173	39,817	17,250	170,240		170,240
Regional water authority fees		23,774		23,774		23,774
Administrative	17,570	5,924	95	23,589		23,589
Utilities		2,649		2,649		2,649
Other	6,221		1,091	7,312		7,312
Depreciation					271,328	271,328
<b>Total Expenditures/Expenses</b>	<b>716,967</b>	<b>80,578</b>	<b>19,486</b>	<b>817,031</b>	<b>271,328</b>	<b>1,088,359</b>
<b>Revenues Over/(Under)</b>						
<b>Expenditures</b>	(81,903)		23,400	(58,503)	58,503	
<b>Other Financing Sources</b>						
Developer advances	233,408			233,408	(233,408)	
<b>Net Change in Fund Balances</b>	151,505		23,400	174,905	(174,905)	
<b>Change in Net Position</b>					(329,486)	(329,486)
Fund Balance/Net Position						
Beginning of the year	(118,369)			(118,369)	(210,000)	(328,369)
<b>End of the period</b>	<b>\$ 33,136</b>	<b>\$ -</b>	<b>\$ 23,400</b>	<b>\$ 56,536</b>	<b>\$ (714,391)</b>	<b>\$ (657,855)</b>

See notes to basic financial statements.

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## **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Harris County Municipal Utility District No. 495 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

### **Creation**

The District was organized and created by a special act of the Texas Legislature pursuant to Senate Bill 2455, 2009 Regular Session and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 13, 2014.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, recreational and road facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

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

### **Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Joint Water Plant Fund is used to account for costs associated with the operation and maintenance of the District's water plant in accordance with the District's Water Plant Cost Sharing Agreement. See Note 6 for additional information.
- The Joint Wastewater Treatment Plant Fund is used to account for costs associated with the operation and maintenance of the District's wastewater treatment plant in accordance with the District's Wastewater Capacity Cost Sharing Agreement. See Note 7 for additional information.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At February 29, 2016, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported in the government wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets, which primarily consist of water, wastewater, drainage and road facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	30-45 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources (continued)**

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

**Unassigned** – deficit fund balance in the General Fund.

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position***

Total fund balance, governmental funds	\$	56,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	12,847,832
Less accumulated depreciation		<u>(271,328)</u>
Change due to capital assets		12,576,504
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(13,291,240)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		345
Total net position - governmental activities	<u>\$</u>	<u>(657,855)</u>

*Harris County Municipal Utility District No. 495  
Notes to Basic Financial Statements  
February 29, 2016*

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

**Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities***

Net change in fund balances - total governmental funds	\$ 174,905
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	345
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.	(271,328)
Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(233,408)
Change in net position of governmental activities	<u><u>\$ (329,486)</u></u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

**Restricted Cash**

The District entered into cost-sharing agreements with developers of land within and without the boundaries of the District for the construction of a water plant, water interconnect and interim wastewater treatment plant (see Notes 6 and 7). The developers advanced funds to the District for the design and construction of the water plant, water interconnect and interim wastewater treatment plant. The amounts received pursuant to these agreements were restricted for use in the construction of the water plant, water interconnect and interim wastewater treatment plant and for related expenses. The District's total amount of restricted cash at year end was \$1,162,934.



**Note 3 – Deposits and Investments (continued)**

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

**Note 4 – Amounts Due to/from Other Funds**

Amounts due to/from other funds at February 29, 2016, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 8,258	\$ 16,883
Joint Water Plant Fund	5,421	
Joint Wastewater Treatment Plant Fund	11,462	8,258
	<u>\$ 25,141</u>	<u>\$ 25,141</u>

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

*Harris County Municipal Utility District No. 495*  
*Notes to Basic Financial Statements*  
*February 29, 2016*

**Note 5 – Capital Assets**

As of February 29, 2016, the District’s capital assets consisted of the following:

Capital assets not being depreciated	
Land and improvements	<u>\$ 1,950,445</u>
Capital assets being depreciated	
Infrastructure	<u>10,897,387</u>
Less accumulated depreciation	<u>(271,328)</u>
Subtotal depreciable capital assets, net	<u>10,626,059</u>
Capital assets, net	<u><u>\$ 12,576,504</u></u>

Depreciation expense for the current year was \$271,328.

**Note 6 – Joint Water Plant**

The District entered into a Water Plant Cost Sharing Agreement (the “Agreement”) with Beazer Homes Texas, L.P. (“Beazer”), Pulte Homes of Texas, L.P. (“Pulte”), Telephone Investments, Inc. (“Telephone”), and Mini B, Inc. (on behalf of proposed Harris County Municipal Utility District No. 538 (“HC MUD 538”)) effective March 5, 2014. Beazer, Pulte and Telephone are collectively referred to as the “Developers.” Pursuant to the Agreement, the Developers have and will continue to advance funds to or on behalf of the District for the design and construction of the Water Plant and Interconnect as needed to serve development within the tracts. Mini B, Inc. (“Mini B”) has and will continue to advance funds on behalf of HC MUD 538 for the design and construction of the Water Plant and Interconnect as needed to serve development within its tract. The District is not obligated to reimburse Mini B for funds advanced by Mini B. Each developer’s proportionate share of the construction costs is calculated based upon the estimated number of connections needed to serve its respective tract. Pursuant to the Agreement, the Water Plant will be constructed in phases to ultimately serve a projected 3,000 equivalent single family connections (ESFCs).

**Note 6 – Joint Water Plant (continued)**

During the current year, the District completed construction of Water Plant Phase I to serve a projected 1,000 ESFCs and established a Joint Water Plant Fund (the “JWP Fund”) to account for the operating and maintenance costs of the water plant facilities. Each district has provided funds to establish an initial deposit in the JWP Fund for the payment of operation and maintenance costs. Operating and maintenance costs are allocated between the districts based on each district’s pro-rata share of the connections to be served by the Water Plant. The districts are billed monthly for operation and maintenance costs. The following table summarizes the deposits and amounts billed to each district during the year:

	Harris County MUD 495	Harris County MUD 538	Total
Billings	\$ 52,138	\$ 28,433	\$ 80,571
Operating Reserve	13,000	7,000	20,000

**Note 7 – Joint Wastewater Treatment Plant**

The District entered into a Wastewater Capacity Cost Sharing Agreement (the “WWTP Agreement”) with Beazer, Pulte, Telephone and Mini B (on behalf of HC MUD 538) effective March 5, 2014. Pursuant to the WWTP Agreement, the Developers have and will continue to advance funds to or on behalf of the District for the design and construction of the Interim Plant as needed to serve development within the tracts. Mini B has and will continue to advance funds on behalf of HC MUD 538 for the design and construction of the Interim Plant as needed to serve development within its tract. The District is not obligated to reimburse Mini B for funds advanced by Mini B. Each developer’s proportionate share of the construction costs is calculated based on capacity to serve the developer’s tract divided by the total capacity of the Interim Plant. Pursuant to the WWTP Agreement, the Interim Plant will be constructed in four phases to ultimately serve a projected 3,000 ESFCs and provide 900,000 gallons per day of wastewater capacity.

On March 5, 2014, the District entered into an Interim Wastewater Treatment Services Agreement (the “Interim Agreement”) with Fort Bend County Municipal Utility District No. 124 (“FB MUD 124”). Under the terms of the Interim Agreement, the District obtained wastewater treatment services from FB MUD 124 on a temporary basis. The District paid FB MUD 124 a monthly fee based on the amount of wastewater discharged into FB MUD 124’s sanitary sewer system plus additional expenditures related to the District’s discharge into FB MUD 124’s sanitary sewer system. During the current year, the District recorded expenditures of \$17,250 to FB MUD 124 related to the discharge of wastewater into its sanitary sewer system.

**Note 7 – Joint Wastewater Treatment Plant (continued)**

During the current year, the District established a Joint Wastewater Treatment Plant Facilities Account to account for the operating and maintenance costs of the Interim Plant. Each district has or will provide funds to establish an initial deposit in the Joint Wastewater Treatment Fund (the “JWWTP Fund”) for the payment of operation and maintenance costs. Operating and maintenance costs are allocated between the districts based on each district’s pro-rata share of the capacity in the Interim Plant. The districts are billed monthly for operation and maintenance costs. The following table summarizes the deposits and amounts billed to each district during the year:

	Harris County <u>MUD 495</u>	Harris County <u>MUD 538</u>	<u>Total</u>
Billings	\$ 27,752	\$ 15,134	\$ 42,886
Operating Reserve	8,412	4,588	13,000

**Note 8 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, roads, and parks and recreational facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ. The District does not record the capital asset and related liability on the government wide statements until construction of the facilities is complete.

The District’s developers have also advanced funds to the District for operating expenses.

Changes in amounts due to developers during the year are as follows:

Due to developers, beginning of period	\$ 210,000
Developer funded construction	12,847,832
Operating advances from developers	233,408
Due to developers, end of period	<u><u>\$ 13,291,240</u></u>

**Harris County Municipal Utility District No. 495**  
**Notes to Basic Financial Statements**  
**February 29, 2016**

**Note 8 – Due to Developers (continued)**

In addition, the District will owe the developers approximately \$10,513,241, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and audited by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
King Crossing Lift Station No. 1	\$ 708,897	\$ 459,457	\$ 249,440
Wastewater Treatment Plant Phase 1	688,114	88,523	599,591
King Crossing Phase I landscaping and irrigation	1,752,030	1,463,719	288,311
King Crossing, Section 7 - water, sewer, and drainage	644,753	548,161	96,592
King Crossing, Section 9 - water, sewer, and drainage	1,498,469	814,290	684,179
Porter Road Extension - water and drainage	438,503	317,183	121,320
Porter Road Extension - paving	763,239		763,239
12-inch Waterline Interconnect	567,647		567,647
King Crossing Lift Station No. 2	325,837		325,837
Katy Manor Lift Station	514,896		514,896
Katy Manor detention ponds	1,366,654		1,366,654
Katy Manor, Section 1 - water, sewer, and drainage	530,902		530,902
Katy Manor, Section 2 - water, sewer, and drainage	460,800		460,800
Katy Manor, Section 3 - water, sewer, and drainage	252,500		252,500
	<u>\$ 10,513,241</u>	<u>\$ 3,691,333</u>	<u>\$ 6,821,908</u>

**Note 9 – Long-Term Debt**

At February 28, 2015, the District had authorized but unissued bonds in the amount of \$189,000,000 for water, sewer and drainage facilities; \$24,000,000 for park and recreational facilities; and \$58,000,000 for road improvements.

**Note 10 – Property Taxes**

On May 10, 2014, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value.

All property values and exempt status, if any, are determined by the Harris County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2016 fiscal year was financed through the 2015 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$140,556 on the adjusted taxable value of \$9,370,425.

**Note 11 – Lease Agreement**

On October 31, 2014, the District entered into an operating lease agreement for a temporary wastewater treatment plant. This lease is for a 60 month term, commencing on the first day of the month following substantial completion of the installation of the leased equipment, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. As of February 29, 2016 the plant was not substantially complete.

Once the lease commences, monthly payments for the lease are \$11,700. If renewed after the initial term, the monthly payments are reduced to \$9,400. Pursuant to the agreement, the District paid its first and last month’s rent in the amount of \$23,400 during the current year. Future minimum lease payments as of February 29, 2016 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 105,300
2018	140,400
2019	140,400
2020	140,400
2021	140,400
2022	11,700
	<u>\$ 678,600</u>

**Note 12 – Regional Water Authority**

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal.

As of January 1, 2016, the Authority’s rates are \$2.25 per 1,000 gallons for groundwater pumped from the District’s wells and \$2.65 per 1,000 gallons for surface water received from the Authority, if any. These rates are subject to future increases. The District charges its customers by multiplying these costs times 110%. During the current year, the District recognized \$26,148 in revenues and \$23,774 in expenditures related to surface water conversion.

**Note 13 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance.

**Note 14 – Economic Dependency**

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and pay property taxes will directly affect the District's ability to meet its future obligations.

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## **Required Supplementary Information**

*Harris County Municipal Utility District No. 495*

*Required Supplementary Information - Budgetary Comparison Schedule - General Fund*

*For the Year Ended February 29, 2016*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ -	\$ -	\$ 34,756	\$ 34,756
Sewer service			39,466	39,466
Property taxes		60,000	246,529	186,529
Penalties and interest			883	883
Regional Water Authority fees			26,148	26,148
Tap connection and inspection		160,000	284,030	124,030
Miscellaneous			2,454	2,454
Investment earnings			798	798
<b>Total Revenues</b>		<u>220,000</u>	<u>635,064</u>	<u>415,064</u>
<b>Expenditures</b>				
Current service operations				
Purchased services	20,000	58,435	81,325	(22,890)
Professional fees	285,000	285,000	321,604	(36,604)
Contracted services	28,000	109,000	177,074	(68,074)
Repairs and maintenance	1,500	10,000	113,173	(103,173)
Administrative	20,500	20,500	17,570	2,930
Other	3,500	3,500	6,221	(2,721)
<b>Total Expenditures</b>	<u>358,500</u>	<u>486,435</u>	<u>716,967</u>	<u>(230,532)</u>
<b>Revenues Under Expenditures</b>	(358,500)	(266,435)	(81,903)	184,532
<b>Other Financing Sources</b>				
Developer advances	<u>400,000</u>	<u>300,000</u>	<u>233,408</u>	<u>(66,592)</u>
<b>Net Change in Fund Balance</b>	41,500	33,565	151,505	117,940
<b>Fund Balance</b>				
Beginning of the year	<u>(118,369)</u>	<u>(118,369)</u>	<u>(118,369)</u>	
<b>End of the Year</b>	<u>\$ (76,869)</u>	<u>\$ (84,804)</u>	<u>\$ 33,136</u>	<u>\$ 117,940</u>

*Harris County Municipal Utility District No. 495*

*Required Supplementary Information - Budgetary Comparison Schedule Joint Water Plant Fund  
For the Year Ended February 29, 2016*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Participant billings	\$ 89,900	\$ 80,571	\$ (9,329)
Miscellaneous		7	7
Total Revenues	<u>89,900</u>	<u>80,578</u>	<u>(9,322)</u>
<b>Expenditures</b>			
Current service operations			
Professional fees	3,600		3,600
Contracted services	10,500	8,414	2,086
Repairs and maintenance	9,300	39,817	(30,517)
Regional water authority fees	49,200	23,774	25,426
Utilities	12,900	2,649	10,251
Administrative	4,400	5,924	(1,524)
Total Expenditures	<u>89,900</u>	<u>80,578</u>	<u>9,322</u>
<b>Revenues Over/(Under) Expenditures</b>			
<b>Fund Balance</b>			
End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Harris County Municipal Utility District No. 495  
 Required Supplementary Information - Budgetary Comparison Schedule  
 Joint Wastewater Treatment Plant Fund  
 For the Year Ended February 29, 2016*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Participant billings	\$ 113,000	\$ 42,886	\$ (70,114)
Total Revenues	<u>113,000</u>	<u>42,886</u>	<u>(70,114)</u>
<b>Expenditures</b>			
Current service operations			
Professional fees	16,000		16,000
Contracted services	78,000	1,050	76,950
Repairs and maintenance	2,000	17,250	(15,250)
Administrative	17,000	95	16,905
Other		1,091	(1,091)
Total Expenditures	<u>113,000</u>	<u>19,486</u>	<u>93,514</u>
<b>Revenues Over/(Under) Expenditures</b>		23,400	23,400
<b>Fund Balance</b>			
End of the period	<u>\$ -</u>	<u>\$ 23,400</u>	<u>\$ 23,400</u>

**Budgets and Budgetary Accounting**

Annual unappropriated budgets are adopted for the General Fund, Joint Water Plant Fund and Joint Wastewater Treatment Plant Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the Joint Water Plant Fund and Joint Wastewater Treatment Plant Fund budgets. The General Fund budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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## **Texas Supplementary Information**

**Harris County Municipal Utility District No. 495**

**TSI-1. Services and Rates**

**February 29, 2016**

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

- Retail Water     
  Wholesale Water     
  Solid Waste/Garbage     
  Drainage  
 Retail Wastewater     
  Wholesale Wastewater     
  Flood Control     
  Irrigation  
 Parks/Recreation     
  Fire Protection     
  Roads     
  Security  
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)  
 Other (Specify): \_\_\_\_\_

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 20.00	6,000	N	\$ 1.75	6,001 to	15,000
				\$ 2.50	15,001 to	30,000
				\$ 3.50	30,001 to	no limit
Wastewater:	\$ 35.00	-	Y			
Regional water fee:	\$ 2.48	1,000	N	\$ 2.48	1,001 to	no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 51.80 Wastewater \$ 35.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	230	223	x 1.0	223
1"			x 2.5	
1.5"			x 5.0	
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	233	226		247
Total Wastewater	228	221	x 1.0	221

See accompanying auditor's report.



**Harris County Municipal Utility District No. 495**  
**TSI-1. Services and Rates**  
**February 29, 2016**

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>14,319,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>11,230,000</u>	<u>(Gallons billed / Gallons pumped)</u> 78.43%

4. Standby Fees (authorized only under TWC Section 49.231):  
 (You may omit this information if your district does not levy standby fees)

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: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

*Harris County Municipal Utility District No. 495  
TSI-2 General Fund Expenditures  
For the Year Ended February 29, 2016*

Purchased services	<u>\$ 81,325</u>
Professional fees	
Legal	270,384
Audit	5,500
Engineering	45,720
	<u>321,604</u>
Contracted services	
Bookkeeping	13,763
Operator	11,055
Tap connection and inspection	142,567
Garbage collection	5,168
Tax collection services	4,521
	<u>177,074</u>
Repairs and maintenance	<u>113,173</u>
Administrative	
Directors fees	8,700
Printing and office supplies	3,727
Insurance	2,570
Other	2,573
	<u>17,570</u>
Other	<u>6,221</u>
Total expenditures	<u><u>\$ 716,967</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Harris County Municipal Utility District No. 495*  
*TSI-4. Taxes Levied and Receivable*  
*February 29, 2016*

	Maintenance Taxes	
Taxes Receivable, Beginning of Year	\$	-
2015 Original Tax Levy		309
Adjustments		140,247
Adjusted Tax Levy		<u>140,556</u>
Rollback Taxes		<u>106,318</u>
Total to be accounted for		<u>246,874</u>
Tax collections:		
Current year		140,212
Prior years		106,317
Total Collections		<u>246,529</u>
Taxes Receivable, End of Year	\$	<u>345</u>
Taxes Receivable, By Year		
2015	\$	<u>345</u>
	<u>2015</u>	<u>2014</u>
Property Valuations:		
Land	\$ 13,138,485	\$ 7,016,288
Exemptions	(3,768,060)	(6,938,632)
Total Property Valuations	<u>\$ 9,370,425</u>	<u>\$ 77,656</u>
Tax Rate per \$100 Valuation:		
Maintenance tax rates	<u>\$ 1.50</u>	<u>\$ 1.50</u>
Adjusted Tax Levy:	<u>\$ 140,556</u>	<u>\$ 1,165</u>
Percentage of Taxes Collected to Taxes Levied **	<u>99.75%</u>	<u>100.00%</u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 10, 2014

\*\*\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 10, 2014

\*\* Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

*Harris County Municipal Utility District No. 495*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Two Fiscal Years*

	Amounts		Percent of Fund Total Revenues	
	2016	2015	2016	2015
Revenues				
Water service	\$ 34,756	\$ -	5%	
Sewer service	39,466		6%	
Property taxes	246,529	1,165	40%	65%
Penalties and interest	883		*	
Regional Water Authority fees	26,148		4%	
Tap connection and inspection	284,030		45%	
Miscellaneous	2,454	70	*	4%
Investment earnings	798	549	*	31%
Total Revenues	<u>635,064</u>	<u>1,784</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Current service operations				
Purchased services	81,325		13%	
Professional fees	321,604	297,848	51%	16696%
Contracted services	177,074	11,950	28%	670%
Repairs and maintenance	113,173		18%	
Administrative	17,570	16,752	3%	939%
Other	6,221	3,603	1%	202%
Total Expenditures	<u>716,967</u>	<u>330,153</u>	<u>114%</u>	<u>18507%</u>
Revenues Under Expenditures	<u>\$ (81,903)</u>	<u>\$ (328,369)</u>	<u>-14%</u>	<u>-18407%</u>

\*Percentage is negligible

See accompanying auditors' report.

**Harris County Municipal Utility District No. 495**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended February 29, 2016**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027  
 District Business Telephone Number: (713) 860-6400  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): June 1, 2016  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Steve Sams	2/16 - 5/20	\$ 1,650	\$ 313	President
Kenneth C. Whitmore	2/14 - 5/18	1,800	190	Vice President
Jackie Taylor	2/16 - 5/20	1,650	63	Secretary
Ashlea Perkins	2/14 - 5/18	1,800	355	Assistant Secretary
Tim P. Duffy	2/14 - 5/18	1,800		Assistant Vice President
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	Feb-14	\$ 252,380		Attorney
Municipal District Services L.L.C.	Nov-14	313,966		Operator
Myrtle Cruz, Inc.	Mar-14	18,798		Bookkeeper
Assessments of the Southwest, Inc.	Mar-14	4,500		Tax Collector
Harris County Appraisal District	Legislation	21		Property Valuation
LJA Engineering, Inc.	Feb-14	326,062		Engineer
McGrath & Co., PLLC	Annual	5,500		Auditor
Rathmann & Associates, L.P.	Mar-14			Financial Advisor
Katten Muchin Roseman LLP	Jul-14	288,680		Construction Legal Services

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
 See accompanying auditors' report.





