OFFICIAL STATEMENT DATED SEPTEMBER 13, 2018

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY UTILITY DISTRICT NO. 16. IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (AGM Insured) . . . . "AA" (stable outlook)
Moody's Investors Service (AGM Insured).... "A2" (stable outlook)
Moody's Investors Service (Underlying) . . . . "Baa2" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

$2,920,000
HARRIS COUNTY UTILITY DISTRICT NO. 16
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2018

Dated: October 1, 2018 **Due: September 1, as shown below**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or Paying Agent/Registrar"). Interest on the Bonds accrues from October 1, 2018, and is payable on March 1, 2019 (five-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."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").

MATURITY SCHEDULE
CUSIP Prefix (a) 413924

$1,920,000 Serial Bonds

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)	Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
$ 20,000	2019	3.00%	2.00%	KX8	$ 55,000	2026(c)	3.00%	3.00%	LE9
35,000	2020	3.00	2.15	KY6	55,000	2027(c)	3.00	3.10	LF6
35,000	2021	3.00	2.25	KZ3	55,000	2028(c)	3.00	3.20	LG4
35,000	2022	3.00	2.40	LA7	****	****			
35,000	2023	3.00	2.55	LB5	720,000	2036(c)	4.00	3.41	LQ2
60,000	2024(c)	3.00	2.70	LC3	760,000	2037(c)	4.00	3.47	LR0
55,000	2025(c)	3.00	2.85	LD1					

$220,000 Term Bonds, Due September 1, 2032(c)(d), CUSIP Suffix LL3(a), Interest Rate 4.00% (Yield 3.13%)(b)
$780,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix LP4(a), Interest Rate 4.00% (Yield 3.32%)(b)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor (defined herein), or the Underwriters (defined herein) take any responsibility for the accuracy of CUSIP numbers.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed. Accrued interest from October 1, 2018, is to be added to the price.

(c) The Bonds, including the Term Bonds, maturing on and after September 1, 2024, are subject to redemption prior to maturity, in whole or in part, at the option of the District, on September 1, 2023, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

If fewer than all of the Bonds are 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 proceeds of the sale of the Bonds, together with certain other lawfully available funds of the District, will be applied to refund certain outstanding bonds of the District and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING — Use of Bond Proceeds." The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject among other things to the approval of the Attorney General of Texas, and the approval of certain legal matters by Marks Richardson PC, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriters' Counsel. Delivery of the Bonds in book-entry form is expected on or about October 17, 2018, at The Bank of New York Mellon Trust Company, N.A., in Dallas Texas.

SAMCO CAPITAL MARKETS **RBC CAPITAL MARKETS**

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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 an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Marks Richardson PC, 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098 upon payment of the costs for duplication thereof.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition 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 this Official Statement until delivery of the Bonds to the Underwriters, as shown on the cover page hereof and thereafter only as described under "GENERAL CONSIDERATIONS - Updating of Official Statement."

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriters

SAMCO Capital Markets, Inc. and RBC Capital Markets, LLC ("RBC") (together, the "Underwriters") have agreed, pursuant to a Bond Purchase Agreement, to purchase the Bonds from the District for $2,967,940.80 plus accrued interest from October 1, 2018, to the date of delivery. Such price represents an underwriting discount of $23,827.20 plus a net reoffering premium of $71,768.00. The obligation of the Underwriters to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

RBC has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters 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 UNDERWRITERS 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 the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The

District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX C" to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On June 26, 2018, S&P announced it had affirmed AGM's insurance financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At June 30, 2018:

- The policyholders' surplus of AGM was approximately $2,221 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018).

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

Any information regarding AGM included herein under the caption "BOND INSURANCE - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through

incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.
Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

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

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, and "A2" (stable outlook) from Moody's Investors Service ("Moody's") based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's Investors Service, Inc. ("Moody's") is "Baa2."

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody's. The foregoing ratings express only the view of S&P and Moody's at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody's, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody's. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

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 Utility District No. 16 (the "District") is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - General."

Description . . . . $2,920,000 Unlimited Tax Refunding Bonds, Series 2018 are dated October 1, 2018. $1,920,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2019 through 2028, inclusive, 2036 and 2037, in the respective principal amounts set forth on the cover page of this Official Statement under "MATURITY SCHEDULE." $1,000,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2032 and 2035, in the respective principal amounts set forth on the cover hereof (collectively, the "Term Bonds"). Interest on the Bonds accrues from October 1, 2018, at the rates shown on the cover page hereof, and is payable on March 1, 2019 (five-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, including the Term Bonds, scheduled to mature on and after September 1, 2024, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2023, 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. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as more completely described in this Official Statement. See "THE BONDS - General" and - "Redemption Provisions."

Book-Entry-Only System . . . . The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (the "DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

Source of Payment	Principal of and interest on the Bonds and the Remaining Outstanding Bonds (hereinafter defined) 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 and Security for Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates."
Use of Proceeds	Proceeds of the sale of the Bonds, together with certain other lawfully available funds of the District, will be applied to refund certain of the District's Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds") in the aggregate principal amount of $2,825,000 (collectively, the "Refunded Bonds"). The proceeds will also be used to pay certain costs of issuing the Bonds. The Bonds are being issued to reduce the District's debt service payments, and will result in present value savings in such debt service payments. See "PLAN OF FINANCING" and "DISTRICT DEBT - Debt Service Requirements."
Outstanding Bonds and Payment Record	In addition to the Series 2011 Bonds, the District has previously issued Unlimited Tax Bonds, Series 1985 (the "Series 1985 Bonds"), Unlimited Tax Refunding Bonds, Series 2002 (the "Series 2002 Refunding Bonds,"), Unlimited Tax Refunding Bonds, Series 2006 (the "Series 2006 Refunding Bonds"), Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), and Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"). Collective reference is made in this Official Statement to the District's prior issued debt as the "Prior Bonds." The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. As of September 2, 2018, the principal amount of the Prior Bonds that has not been previously retired by the District is $24,425,000 (the "Outstanding Bonds"). After issuance of the Bonds, the aggregate principal amount of the Prior Bonds, less the maturities thereof previously paid by the District and less the Refunded Bonds, will be $21,600,000 (the "Remaining Outstanding Bonds"), and the aggregate principal amount of the District's total direct bonded indebtedness, including the Bonds, will be $24,520,000. See "DISTRICT DEBT - Debt Service Requirements." In addition to the water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (collectively, the "System" - see "THE SYSTEM") that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional

components of the System to serve the District with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Municipal Bond Insurance . . . . Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE.”

Municipal Bond Ratings . . . . S&P Global Ratings (AGM Insured) “AA” (stable outlook). Moody’s Investors Service (AGM insured) “A2” (stable outlook). Moody’s Investors Service (Underlying Rating) “Baa2” (stable outlook). See “BOND INSURANCE” and “RATINGS.”

Authorized But Unissued Bonds . . . . After issuance of the Bonds, there will be $7,705,000 bonds authorized but unissued for waterworks, wastewater, and drainage facilities and $32,626,629.89 bonds will remain authorized but unissued for refunding purposes. See “THE BONDS - Issuance of Additional Debt.”

Legal Opinion . . . . Marks Richardson PC, Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”

Qualified Tax-Exempt Obligations . . . . The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

THE DISTRICT

Description . . . . The District is a political subdivision of the State of Texas. The District was created as a conservation and reclamation district by an Act of the 62nd Legislature of the State of Texas, Regular Session, effective May 26, 1971. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “TCEQ.”) The District contains approximately 644.17 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located approximately 14 miles north of the central business district of the City, and 0.5 miles west of Bush Intercontinental Airport. The District is located west of the Hardy Toll Road and north of Rankin Road. “THE DISTRICT - Authority” 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 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - Authority.”

Development and Home Construction . . . .

Land within the District that has been developed to date has been developed primarily for single-family residential usage as the single-family residential subdivisions platted as Meadowview Farms, Sections 2 through 10, Imperial Green, Sections 1 and 2, Remington Creek Ranch, Sections 1 through 4; manufactured home usage as Pine Trace, Phases 1 through 4 and Sections 5 and 6; and commercial usage (primarily industrial warehouse distribution facilities) as is described below. As of August 1, 2018, the District contained 1,164 single-family homes, including 15 single-family homes under construction, 76 vacant fully-developed single-family residential lots available for home construction and 677 manufactured homes. In addition, a total of approximately 484,665 square feet of commercial, warehouse and distribution, manufacturing, and industrial warehouse distribution improvements have been constructed on a total of approximately 51.3 acres within the District as follows: an approximately 12,320 square foot retail strip shopping center has been constructed on approximately 2.3 acres located within the District, an approximately 7,500 square foot warehouse and distribution facility has been constructed on approximately 6.0 acres located within the District, an approximately 71,450 square foot manufacturing complex consisting of four buildings has been constructed on approximately 6.5 acres located within the District, an approximately 4,472 square foot service station and convenience store has been constructed on approximately 5.7 acres located within the District, an approximately 55,080 square foot manufacturing facility has been constructed on approximately 9.8 acres located within the District, an approximately 329,643 square foot industrial distribution warehouse has been constructed on approximately 20 acres located within the District, and an approximately 4,200 square foot service station and convenience store has been constructed on approximately 1 acre located within the District. An approximately 6.0 acre tract of land located within the District has been developed with perimeter water distribution, wastewater collection and storm drainage facilities for the construction of a future warehouse facility. Further, two tracts of approximately 4.7 and 15.9 acres of land located within the District have been developed with perimeter water distribution, wastewater collection and storm drainage facilities for the construction of future commercial improvements.

The development of a total of approximately 242.7 acres (1,240 single-family residential lots) within the District is complete (Meadowview Farms, Sections 2 through 10, Imperial Green, Sections 1 and 2, and Remington Creek Ranch, Sections 1 through 4), including the completion of components of the District's System to serve such sections and street paving. Such lots have been developed for the construction of single-family homes (as opposed to the development of lots for manufactured homes as is described below).

Approximately 117.2 acres located within the District have been developed for manufactured home usage as is described below. Gary and Claudia Humpherys ("Humpherys") own a total of approximately 70.7 acres located within the District which are being utilized for the mining and production of sand and gravel. In addition to the aforementioned approx-imately 70.7 acres owned by Humpherys, approximately 52 acres available for future development described below are currently undeveloped. The balance of the land located within the District is located within certain major thoroughfare rights-of-way, drainage easements, detention ponds, is dedicated as recreation and open spaces, or is otherwise not available for development.

The District financed its cost of construction or acquisition of certain water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve approximately 126.3 acres of the approximately 157.8 acre area of the District originally platted as Imperial Plaza, Section 1 with the proceeds of the sale of the Series 1985 Bonds. The portion of the District originally platted as Imperial Plaza, Section 1 has been replatted and developed as the manufactured home community known as Pine Trace. Approximately 126.3 acres of such approximately 157.8 acre tract were originally developed into unrestricted reserves served with perimeter water distribution, wastewater collection and storm drainage facilities, and street paving. Approximately 117.2 of such acres have been developed into 680 manufactured home lots. The development of Pine Trace has been undertaken by Sun (described below under the caption "Developers, Home Builders and Other Principal Land Owners"), and includes the construction of water distribution, wastewater collection and storm drainage facilities to serve such lots. In addition, recreational facilities that include a community center, swimming pool and basketball court have been completed and are made available to all residents of Pine Trace. Approximately 677 of such 680 lots are currently occupied by manufactured home units. Sun owns all 680 of such lots and rents 439 of the spaces to the owners and lenders of the manufactured home units. An affiliate of Sun owns 238 manufactured home units that it is renting to tenants. Such 680 developed lots comprise Pine Trace, Phases 1 through 4, and Sections 5 and 6. Sun owns no additional land located within the District.

An aggregate of approximately 122.7 acres of land located within the District available for future development are currently undeveloped. Approximately 13.5 of such currently undeveloped acres are owned by BGM Land Investments, Ltd., a party related to Woodmere, the developer of Remington Creek Ranch (defined below under the caption "Developers, Home Builders and Other Principal Land

Owners"). Approximately 70.7 of such currently undeveloped acres are owned by Humpherys, and approximately 38.5 of such currently undeveloped acres are owned by multiple other parties. See "TAX DATA - Principal 2018 Taxpayers." None of the owners of any of such currently undeveloped acres has any obligation to the District to develop any of such acres according to any timetable or at all, and any such owner may sell the land that it owns in its sole discretion. Therefore, the District cannot represent whether, or when, any development might occur (nor what type of development might occur) on any of the currently undeveloped land located within the District. See "FUTURE DEVELOPMENT."

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

Developers, Home Builders and Other Principal Land Owners . . . .

The developer of Remington Creek Ranch is Woodmere Development Co., Ltd., a Texas limited partnership ("Woodmere"). The development of Remington Creek Ranch, Sections 1 through 4, consisting of a total 270 single-family residential lots (approximately 56.3 total acres), is complete, including street paving. Woodmere has developed Remington Creek Ranch, Sections 1 through 4 to provide single-family residential building sites on which an affiliate of Woodmere, Pride Homes, is constructing homes. Pride Homes is currently constructing homes on vacant single-family residential lots located in Remington Creek Ranch which range in size from approximately 1,489 to 3,086 square feet of living area and in sales price from approximately $174,990 to $208,990. Pride Homes is sometimes referred to in this Official Statement as the "Builder." BGM Land Investments, Ltd., a party related to Woodmere, owns approximately 13.5 acres of currently undeveloped land located within the District. No party, including Woodmere, has any commitment to the District to undertake the development of any of such currently undeveloped acres, and thus the District cannot represent whether the development of any of such acres will be undertaken or, if undertaken, completed. See "FUTURE DEVELOPMENT."

Jungers Development LLC ("Jungers"), a Texas limited liability company, has completed the development of Imperial Green, Section 2 (40 single-family residential lots on approximately 8.6 acres located within the District). Home construction has not yet commenced in Imperial Green, Section 2.

The developer of Pine Trace is Sun Pine Trace Limited Partnership, a Michigan limited partnership whose general partner is Sun Texas QRS, Inc., a Michigan corporation wholly-owned by Sun Communities, Inc., a publicly-traded corporation ("Sun") whose stock is listed on the New York Stock Exchange. Sun Communities, Inc. is 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 SEC. Sun Communities, Inc. owns and operates 367 manufactured housing communities in 31 states and Canada. Such communities are concentrated in the Midwest and Southeast portions of the United States. On December 31, 2017, Sun Communities, Inc's portfolio consisted of more than 121,892 developed sites. In 1999 Sun purchased partially developed manufactured home lots, a partially constructed recreational facility and approximately 59.8 acres of undeveloped land located within the District. Sun has completed the development of 680 manufactured home lots and the recreational facility within the District that are described above under the caption "Development and Home Construction." Sun owns all 680 of such lots and rents 439 of the spaces to the owners and lenders of the manufactured home units. An affiliate of Sun owns 238 manufactured home units that it is renting to tenants. Sun owns no additional land located within the District.

Approximately 70.7 acres of currently undeveloped land located within the District are owned by Humpherys. Humpherys is currently utilizing such acres for the mining and production of sand and gravel. Humpherys has not reported any definitive development plan to the District covering any of such acres. Humpherys does not have any obligation to the District to develop any of such acres in any manner or according to any timetable or at all, and may sell the land that it owns in its sole discretion. Therefore, the District cannot represent whether, or when, any development might occur (nor what type of development might occur) on any of such currently undeveloped land located within the District. See "FUTURE DEVELOPMENT."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2017 Assessed Valuation (As of January 1, 2017) See "TAX DATA" and "TAX PROCEDURES."	$260,031,778(a)
2018 Assessed Valuation (As of January 1, 2018) See "TAX DATA" and "TAX PROCEDURES."	$270,173,461(b)
Direct Debt: Remaining Outstanding Bonds	$ 21,600,000
The Bonds	2,920,000
Total	$ 24,520,000(c)
Estimated Overlapping Debt	$ 15,710,705(c)
Direct and Estimated Overlapping Debt	$ 40,230,705(c)
Direct Debt Ratios	
: as a percentage of 2017 Assessed Valuation	9.43%
: as a percentage of 2018 Assessed Valuation	9.08%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2017 Assessed Valuation	15.47%
: as a percentage of 2018 Assessed Valuation	14.89%
General Fund Balance at August 10, 2018	$ 2,692,461
Bond Fund Balance Estimated as of Delivery of the Bonds	$ 1,464,387(d)
Average Percentage of Total Tax Collections 2007-2016 (As of July 31, 2018)	99.98%
Percentage of Tax Collections 2017 Tax Levy (As of July 31, 2018. In process of collection.).	99.21%
2017 Tax Rate Per $100 of Assessed Valuation	
Debt Service Tax	$0.65
Maintenance Tax	0.27
Total	$0.92(e)
Anticipated 2018 Tax Rate Per $100 of Assessed Valuation	
Debt Service Tax	$0.57
Maintenance Tax	0.27
Total	$0.84(e)
Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2019-2034)	$ 1,550,008
Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2033)	$ 1,616,800

Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2019-2034) at 95% Tax Collections	
Based Upon 2017 Assessed Valuation	$0.63
Based Upon 2018 Assessed Valuation	$0.61
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2033) at 95% Tax Collections	
Based Upon 2017 Assessed Valuation	$0.66
Based Upon 2018 Assessed Valuation	$0.63
Number of Single Family Residences (including 15 residences under construction) as of August 1, 2018	1,164
Number of Manufactured Homes as of August 1, 2018	677
Completed Commercial Improvements Within the District Approximately 484,465 square feet of commercial; warehouse and distribution; manufacturing; and industrial warehouse distribution improvements	

(a) As of January 1, 2017, and comprises the District's 2017 tax roll. 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").

(b) As of January 1, 2018. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is $26,714,492, which total is included in the amount of $270,173,461. The Appraisal District has proposed the valuation of such protested properties to be $28,237,457. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $4,508,947, which total is also included in the amount of $270,173,461. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(c) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service requirements that were due for 2018, and the contribution by the District of $5,000 to the refunding of the Refunded Bonds. The initial payment on the Bonds, consisting of a five-month interest payment thereon, will be due March 1, 2019.

(e) The District levied a debt service tax of $0.65 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2017. The District anticipates levying a debt service tax of $0.57 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2018. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2017 tax levies of all units of government which levy taxes against the property located within the District, plus the

District’s 2018 levy, is \$3.292975 per \$100 of Assessed Valuation as to that portion of the District that lies within the Spring Independent School District, and \$3.156363 per \$100 of Assessed Valuation as to that portion of the District that lies within the Aldine Independent School District, which aggregate levies are higher than the aggregate of the tax levies of many municipal utility districts located within the Houston metropolitan area but are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

$2,920,000
HARRIS COUNTY UTILITY DISTRICT NO. 16
UNLIMITED TAX REFUNDING BONDS
SERIES 2018

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Utility District No. 16 (the "District") of its Unlimited Tax Refunding Bonds, Series 2018 (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 c/o Marks Richardson PC ("Bond Counsel"), 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098 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 order authorizing the bonds (the "Bond Order"), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated October 1, 2018, with interest payable on March 1, 2019 (five-month interest payment), and on each September 1 and March 1 thereafter (each, an "Interest Payment Date"), at the rates shown on the cover hereof, until the earlier of maturity or redemption. $1,920,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2019 through 2028, inclusive, 2036 and 2037, in the respective principal amounts set forth on the cover page of this Official Statement under "MATURITY SCHEDULE." $1,000,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2032 and 2035, in the respective principal amounts set forth on the cover hereof (collectively, the "Term Bonds"). The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be initially registered and delivered only to the Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At an election held within the District on November 5, 2002, voters of the District authorized a total of $33,500,000 in bonds for the purpose of refunding outstanding bonds of the District. The Bonds constitute the fifth issuance of bonds from such authorization. After sale of the Bonds, a total of $32,626,629.89 in principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended, and City of Houston Ordinance No. 97-416.

Source and Security for Payment

The Bonds and the Remaining Outstanding Bonds (as defined under "PLAN OF FINANCING") are secured by and 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 "TAX PROCEDURES"). The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the "Construction Fund") and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Prior Bonds. Accrued interest on the Bonds will be deposited from proceeds from sale of the Bonds into the Bond Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Remaining Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Remaining Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Remaining Outstanding Bonds, the Bonds and any additional tax bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1, 2032 and 2035, shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$220,000 Term Bond Maturing on September 1, 2032

Year of Redemption	Principal Amount
2029	$55,000
2030	55,000
2031	55,000
2032 (maturity)	55,000

$780,000 Term Bond Maturing on September 1, 2035

Year of Redemption	Principal Amount
2033	$ 55,000
2034	50,000
2035 (maturity)	675,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds), maturing on and after September 1, 2024, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2023, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption in the manner specified in the Bond Order.

Effects of Redemption

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office in Dallas, Texas, and its principal payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar," "Paying Agent," or "Registrar") for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States. The principal of and interest on the Bonds shall be paid to DTC, which will make distributions of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent / Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of a total of $37,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $7,705,000 of unlimited tax bonds authorized but unissued for improvements and facilities. The District's voters have also authorized the issuance of $33,500,000 unlimited tax bonds for refunding purposes, of which $32,626,629.89 remain authorized but unissued. See "INVESTMENT CONSIDERATIONS - Future Debt."

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

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt."

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

Financing Road Facilities

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

Financing Parks and Recreational Facilities

Conservation and reclamation districts in certain counties, such as the District, are authorized to develop and finance with property taxes certain parks and recreational facilities after an election has been successfully held within the District to approve a maintenance tax to support parks and recreational facilities and/or the issuance of bonds payable from taxes.

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed 10 cents per $100 of assessed value of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an annual ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the lesser of 1% of the value of the taxable property in the District at the time of issuance of the bonds or the estimated cost of the park plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations adopted by the TCEQ.

The District has not considered calling an election for such purposes but could consider doing so in the future.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership" below.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which 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 annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with 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.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate its water and wastewater systems with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

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

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a 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 noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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.

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, together with certain other lawfully available funds of the District, will be applied to refund certain of the District's Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds") in the aggregate principal amount of $2,825,000 (collectively, the "Refunded Bonds"). The proceeds will also be used to pay certain costs of issuing the Bonds. The Bonds are being issued to reduce the District's debt service payments, and will result in present value savings in such debt service payments. See "DISTRICT DEBT - Debt Service Requirements."

Refunded Bonds

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Refunded Bonds are as follows:

Maturity Date	Series 2011 Bonds Principal Amount
2020	$ 25,000
2021	25,000
2022	25,000
2023	25,000
2024	50,000
2025	50,000
2026	50,000
2027	50,000
2028	50,000
2029	50,000
2030	50,000
2031	50,000
2032	50,000
2033	50,000
2034	50,000
2035	675,000
2036	725,000
2037	775,000
	$2,825,000

Redemption Date: 10/18/18

Aggregate Principal Amount of Refunded Bonds: $2,825,000

Payment of the Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds").

The Bond Order provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Grant Thornton LLP, will verify to the District, the Paying Agent for the Refunded Bonds and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior order of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

The Non-Refunded Bonds

In addition to the Series 2011 Bonds, the District has previously issued Unlimited Tax Bonds, Series 1985 (the "Series 1985 Bonds"), Unlimited Tax Refunding Bonds, Series 2002 (the "Series 2002 Refunding Bonds,"), Unlimited Tax Refunding Bonds, Series 2006 (the "Series 2006 Refunding Bonds"), Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), and Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"). Collective reference is made in this Official Statement to the District's prior issued debt as the "Prior Bonds." The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. As of September 2, 2018, the principal amount of the Prior Bonds that has not been previously retired by the District is $24,425,000 (the "Outstanding Bonds"). After issuance of the Bonds, the aggregate principal amount of the Prior Bonds, less the maturities thereof previously paid by the District and less the Refunded Bonds, will be $21,600,000 (the "Remaining Outstanding Bonds"), and the aggregate principal amount of the District's total direct bonded indebtedness, including the Bonds, will be $24,520,000. See "DISTRICT DEBT - Debt Service Requirements."

As of September 2, 2018, the principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Remaining Outstanding Bonds are as follows:

	PRINCIPAL AMOUNTS				
Maturity	**Series 2011 Bonds**	**Series 2014 Refunding Bonds**	**Series 2015 Refunding Bonds**	**Series 2015 Bonds**	**Series 2017 Bonds**
2019	$25,000	$410,000	$65,000	$25,000	$ 25,000
2020		455,000	65,000	25,000	25,000
2021		470,000	60,000	25,000	25,000
2022		490,000	60,000	25,000	25,000
2023		505,000	60,000	25,000	25,000
2024		530,000	60,000	25,000	25,000
2025		550,000	55,000	25,000	25,000
2026		220,000	410,000	25,000	25,000
2027		235,000	430,000	25,000	50,000
2028		240,000	450,000	25,000	50,000
2029		260,000	470,000	25,000	50,000
2030		265,000	500,000	25,000	50,000
2031		295,000	520,000	25,000	50,000
2032		305,000	570,000	25,000	50,000
2033		325,000	625,000	25,000	50,000
2034		345,000	650,000	25,000	50,000
2035				25,000	50,000
2036				25,000	50,000
2037				25,000	50,000
2038				525,000	350,000
2039				550,000	375,000
2040				675,000	275,000
2041				750,000	275,000
2042				750,000	275,000
2043				800,000	275,000
2044					1,125,000
2045					1,175,000
2046					1,225,000
	$25,000	$5,900,000	$5,050,000	$4,525,000	$6,100,000

Total Principal Amount of Remaining Outstanding Bonds $21,600,000

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	$2,920,000.00
Plus: Net Original Issue Premium	71,768.00
District Contribution	5,000.00
Accrued Interest	4,995.56
Total Sources of Funds	$3,001,763.56

USES OF FUNDS:

Deposit with Paying Agent for Refunded Bonds	$2,843,828.56
Deposit Accrued Interest to Bond Fund	4,995.56
Expenses:	
Underwriters Discount	23,827.20
Municipal Bond Insurance and Other Issuance Expenses	129,112.24
Total Uses of Funds	$3,001,763.56

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken July 2018)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2018)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2018)

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Remaining Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxes levied against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxes levied against all or a portion of the property within the District.

2017 Assessed Valuation	$260,031,778(a)
(As of January 1, 2017)	
See "TAX DATA" and "TAX PROCEDURES."	
2018 Assessed Valuation	$270,173,461(b)
(As of January 1, 2018)	
See "TAX DATA" and "TAX PROCEDURES."	
Direct Debt: Remaining Outstanding Bonds	$ 21,600,000
The Bonds	2,920,000
Total	$ 24,520,000(c)
Estimated Overlapping Debt	$ 15,710,705(c)
Direct and Estimated Overlapping Debt	$ 40,230,705(c)
Direct Debt Ratios	
: as a percentage of 2017 Assessed Valuation	9.43%
: as a percentage of 2018 Assessed Valuation	9.08%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2017 Assessed Valuation	15.47%
: as a percentage of 2018 Assessed Valuation	14.89%
General Fund Balance at August 10, 2018	$ 2,692,461
Bond Fund Balance Estimated as of Delivery of the Bonds	$ 1,464,387(d)
Average Percentage of Total Tax Collections 2007-2016	
(As of July 31, 2018)	99.98%
Percentage of Tax Collections 2017 Tax Levy	
(As of July 31, 2018. In process of collection.).	99.21%
2017 Tax Rate Per $100 of Assessed Valuation	
Debt Service Tax	$0.65
Maintenance Tax	0.27
Total	$0.92(e)
Anticipated 2018 Tax Rate Per $100 of Assessed Valuation	
Debt Service Tax	$0.57
Maintenance Tax	0.27
Total	$0.84(e)

(a) As of January 1, 2017, and comprises the District's 2017 tax roll. 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").

(b) As of January 1, 2018. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is $26,714,492, which total is included in the amount of $270,173,461. The Appraisal District has proposed the valuation of such protested properties to be $28,237,457. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $4,508,947, which total is also included in the amount of $270,173,461. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(c) In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service requirements that were due for 2018, and the contribution by the District of $5,000 to the refunding of the Refunded Bonds. The initial payment on the Bonds, consisting of a five-month interest payment thereon, will be due March 1, 2019.

(e) The District levied a debt service tax of $0.65 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2017. The District anticipates levying a debt service tax of $0.57 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2018. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2017 tax levies of all units of government which levy taxes against the property located within the District, plus the District's 2018 levy, is $3.292975 per $100 of Assessed Valuation as to that portion of the District that lies within the Spring Independent School District, and $3.156363 per $100 of Assessed Valuation as to that portion of the District that lies within the Aldine Independent School District, which aggregate levies are higher than the aggregate of the tax levies of many municipal utility districts located within the Houston metropolitan area but are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. 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. Further, certain of the entities listed below may have issued additional bonds since the date cited.

Taxing Jurisdiction	Outstanding Debt as of July 15, 2018	Overlapping Percent	Overlapping Amount
Harris County*	$2,208,674,360	0.05937%	$ 1,311,250
Harris County Department of Education	6,555,000	0.05937	3,892
Harris County Flood Control District	83,075,000	0.05937	49,320
Harris County Hospital District	59,490,000	0.05937	35,318
Port of Houston Authority	613,699,397	0.05937	364,342
Lone Star College System	638,425,000	0.13774	879,344
Aldine Independent School District	926,810,000	0.90073	8,348,068
Spring Independent School District	667,745,000	0.70673	4,719,171
TOTAL ESTIMATED OVERLAPPING DEBT			$ 15,710,705
TOTAL DIRECT DEBT (the District)			24,520,000
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			$ 40,230,705

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

Debt Ratios

	% of 2017 Assessed Valuation	% of 2018 Assessed Valuation
Direct Debt	9.43%	9.08%
Direct and Estimated Overlapping Debt	15.47%	14.89%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District at a rate not to exceed $0.50 per $100 of Assessed Valuation. The District levied a maintenance tax of $0.27 per $100 of Assessed Valuation in 2017, and anticipates levying the same maintenance tax of $0.27 per $100 of Assessed Valuation for 2018. See "TAX DATA - Maintenance Tax."

Debt Service Requirements

The following schedule sets forth the debt service requirements of the Outstanding Bonds, less the debt service requirements of the Refunded Bonds, plus the principal and interest payments of the Bonds.

Year	Current Total Debt Service Requirements	Less: Debt Service on Refunded Bonds	Plus: - The Bonds - Principal (Due 9/1)	Interest	Total New Debt Service Requirements
2018	$1,542,807				$1,542,807
2019	1,522,025	$ 144,219	$ 20,000	$ 103,033	1,500,840
2020	1,551,688	169,219	35,000	111,800	1,529,269
2021	1,545,175	168,069	35,000	110,750	1,522,856
2022	1,545,863	166,894	35,000	109,700	1,523,669
2023	1,540,775	165,694	35,000	108,650	1,518,731
2024	1,567,900	189,469	60,000	107,600	1,546,031
2025	1,556,613	186,969	55,000	105,800	1,530,444
2026	1,554,838	184,469	55,000	104,150	1,529,519
2027	1,583,425	181,969	55,000	102,500	1,558,956
2028	1,574,063	179,406	55,000	100,850	1,550,506
2029	1,578,994	176,844	55,000*	99,200	1,556,350
2030	1,577,275	174,281	55,000*	97,000	1,554,994
2031	1,587,756	171,719	55,000*	94,800	1,565,838
2032	1,606,038	169,156	55,000*	92,600	1,584,481
2033	1,637,994	166,594	55,000*	90,400	1,616,800
2034	1,636,681	164,031	50,000*	88,200	1,610,850
2035	1,218,406	786,469	675,000*	86,200	1,193,138
2036	1,231,250	801,875	720,000	59,200	1,208,575
2037	1,241,531	814,719	760,000	30,400	1,217,213
2038	1,224,250				1,224,250
2039	1,243,188				1,243,188
2040	1,233,531				1,233,531
2041	1,272,250				1,272,250
2042	1,232,625				1,232,625
2043	1,243,000				1,243,000
2044	1,251,375				1,251,375
2045	1,262,000				1,262,000
2046	1,269,406				1,269,406
	$41,632,722	$5,162,065	$2,920,000	$1,802,833	$41,193,492

Average Annual Requirements - (2019-2034) . . . . $ 1,550,008
Maximum Annual Requirement - (2033) . . . . $ 1,616,800

See "TAX DATA - Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates" for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

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* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of $0.65 per $100 of Assessed Valuation for 2017, and anticipates levying debt service tax of $0.57 per $100 of Assessed Valuation for 2018.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$0.50 per $100 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 April 7, 1984, the District's voters authorized the levy of such a maintenance tax in an amount not to exceed $0.50 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, the Remaining Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of $0.27 per $100 of Assessed Valuation in 2017, and anticipates levying the same maintenance tax of $0.27 per $100 of Assessed Valuation for 2018.

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.

Tax Year	Assessed Valuation	Tax Rate(a)	Adjusted Levy	Cumulative % Collections Current & Prior Years(b)	Year Ended 9/30
2007	$93,776,297	$1.40	$1,312,864	100.00%	2008
2008	96,865,634	1.40	1,356,115	100.00	2009
2009	91,077,547	1.50	1,366,001	100.00	2010
2010	98,595,003	1.50	1,478,182	100.00	2011
2011	99,081,005	1.50	1,484,445	100.00	2012
2012	95,410,200	1.50	1,429,868	100.00	2013
2013	104,591,004	1.50	1,568,111	100.00	2014
2014	138,965,160	1.19	1,652,896	100.00	2015
2015	176,234,820	1.10	1,938,061	99.98	2016
2016	230,049,376	0.99	2,277,162	99.86	2017
2017	260,031,778	0.92	2,392,292	99.21(c)	2018
2018	270,173,461(d)	0.84(e)	2,269,457		2019

(a) Per $100 of Assessed Valuation.
(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through July 31, 2018. 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 July 31, 2018. In process of collection.
(d) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is $26,714,492, which total is included in the amount of $270,173,461. The Appraisal District has proposed the valuation of such protested properties to be $28,237,457. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $4,508,947, which total is also included in the amount of $270,173,461. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018.
(e) Anticipated tax rate.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$0.57	$0.65	$0.69	$0.80	$0.88
Maintenance and Operations	0.27	0.27	0.30	0.30	0.31
	$0.84*	$0.92	$0.99	$1.10	$1.19

* Anticipated tax rate.

Analysis of Tax Base

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

	2018 Assessed Value	%	2017 Assessed Value	%	2016 Assessed Vale	%
Land	$ 36,117,382	13.37%	$ 55,937,711	21.51%	$ 54,175,795	23.55%
Improvements	180,638,471	66.86	189,147,980	72.74	170,746,723	74.22
Personal Property	28,034,175	10.38	27,857,435	10.71	14,236,406	6.19
Uncertified	31,223,439	11.56	0	0.00	0	0.00
Exemptions	(5,840,006)	(2.16)	(12,911,348)	(4.96)	(9,109,548)	(3.96)
Total	$270,173,461*	100.00%	$260,031,778	100.00%	$230,049,376	100.00%

	2015 Assessed Value	%	2014 Assessed Value	%
Land	$ 49,782,001	28.25%	$ 43,254,176	31.13%
Improvements	129,346,805	73.39	97,196,725	69.94
Personal Property	5,549,439	3.15	2,230,505	1.61
Exemptions	(8,443,425)	(4.79)	(3,716,246)	(2.68)
Total	$176,234,820	100.00%	$138,965,160	100.00%

* Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is $26,714,492, which total is included in the amount of $270,173,461. The Appraisal District has proposed the valuation of such protested properties to be $28,237,457. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $4,508,947, which total is also included in the amount of $270,173,461. The District is unable to predict the amount of the District's final 2018 Assessed Valuation. Such final 2018 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2018.

Principal 2018 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, 2018. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2018.

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll	% 2018 Tax Roll
Western B South TX LLC	Land and Improvements	$25,634,181	9.49%
CVS Pharmacy Inc.	Personal Property	19,845,822	7.35
Sun Home Services, Inc.	Improvements	6,070,711	2.25
King Fabrication, LLC	Land and Improvements	3,727,220	1.38
Ryder Truck Rental Inc.	Land	3,410,855	1.26
SRQ Food Corporation	Land and Improvements	2,164,747	0.80
Elkins Industries Ltd.	Land and Improvements	1,791,413	0.66
Shen Mingshow	Land and Improvements	1,659,240	0.61
New Millennium Glazing Systems, Ltd. LLP	Land and Improvements	1,641,646	0.61
JSK & CCK LLC	Land and Improvements	1,426,064	0.53
		$67,371,899	24.94%

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 2017 Assessed Valuation or the 2018 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand to augment tax receipts, and the sale of no additional bonds by the District.

Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2019-2034)	$1,550,008
Tax Rate of $0.63 on the 2017 Assessed Valuation ($260,031,778) produces	$1,556,290
Tax Rate of $0.61 on the 2018 Assessed Valuation ($270,173,461) produces	$1,565,655
Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds (2033)	$1,616,800
Tax Rate of $0.66 on the 2017 Assessed Valuation ($260,031,778) produces	$1,630,399
Tax Rate of $0.63 on the 2018 Assessed Valuation ($270,173,461) produces	$1,616,988

The District levied a debt service tax of $0.65 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2017. The District anticipates levying a debt service tax of $0.57 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2018. As the above table illustrates, the District's anticipated 2018 debt service tax levy of $0.57 per $100 of Assessed Valuation will not be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds, assuming taxable values in the District at the level of the District's 2018 Assessed Valuation, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. However, as is outlined in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected 99.98% of its property taxes for the period 2007 through 2016, and its 2017 levy, which is in the process of collection, was 99.21% collected as of July 31, 2018. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES." Moreover, the District's Bond Fund balance is estimate to be $1,464,387 as of the date of delivery of the Bonds. The District has in the past supplemented tax revenues with interest earned from the investment of monies held in the Debt Service Fund to meet its debt obligations. See "APPENDIX B - ANNUAL AUDIT REPORT." Therefore, the District anticipates that it will be able to meet the Average Annual and Maximum Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District anticipates levying for 2018 - $0.57 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Maximum Impact on District Tax Rates."

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2017 tax levies of all units of government which levy taxes against the property located within the District, plus the District's 2018 levy, is $3.292975 per $100 of Assessed Valuation as to that portion of the District that lies within the Spring Independent School District, and $3.156363 per $100 of Assessed Valuation as to that portion of the District that lies within the Aldine Independent School District, which aggregate levies are higher than the aggregate of the tax levies of many municipal utility districts located within the Houston metropolitan area but are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of $0.84 per $100 of Assessed Valuation which the District anticipates levying for 2018 (consisting of a debt service rate of $0.57 per $100 of Assessed Valuation plus a maintenance tax of $0.27 per $100 of Assessed Valuation) may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "THE BONDS - Remedies in Event Default," "TAX DATA - Estimated Overlapping Taxes," and "TAX 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 2017 taxes levied upon property located within the District plus the District's anticipated 2018 tax levy. 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.

Composite Tax Rates Covering the Portion of the District
Which Lies Within Aldine Independent School District

Taxing Jurisdiction	2017 Tax Rate/$100 of A.V.
The District	$0.840000*
Harris County	0.418010
Harris County Hospital District	0.171100
Harris County Flood Control District	0.028310
Harris County Department of Education	0.005195
Port of Houston Authority	0.012560
Harris County Emergency Services District No. 1	0.100000
Harris County Emergency Services District No. 24	0.100000
Aldine Independent School District	1.373388
Lone Star College System	0.107800
Total Tax Rate	$3.156363

Composite Tax Rates Covering the Portion of the District
Which Lies Within Spring Independent School District

Taxing Jurisdiction	2017 Tax Rate/$100 of A.V.
The District	$0.840000*
Harris County	0.418010
Harris County Hospital District	0.171100
Harris County Flood Control District	0.028310
Harris County Department of Education	0.005195
Port of Houston Authority	0.012560
Harris County Emergency Services District No. 1	0.100000
Harris County Emergency Services District No. 24	0.100000
Spring Independent School District	1.510000
Lone Star College System	0.107800
Total Tax Rate	$3.292975

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

* Anticipated 2018 tax rate, consisting of debt service and maintenance tax components of $0.57 and $0.27 per $100 of Assessed Valuation, respectively.

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Reappraisal of Property After Disaster

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

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris County Appraisal District ("HCAD" or the "Appraisal District") described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2017 tax year, the District has granted an exemption of $10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under disability for purpose of payment of disability insurance benefits under Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property as defined by the Property Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. For tax year 2011 and prior applicable years, the exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, 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 is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. 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. For the tax year 2012 and subsequent years, a taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For 2018, the District has not granted a general residential homestead exemption.

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 approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

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

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 and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Debt service and contract tax rates cannot be changed by a rollback election.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture 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 such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use and for a period of five (5) years for timberland and open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2018, no land within the District was designated for agricultural use, open space or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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.

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

Except with respect to owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years of foreclosure and all other property within six (6) months of foreclosure) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas. The District was created as a conservation and reclamation district by an Act of the 62nd Legislature of the State of Texas, Regular Session, effective May 26, 1971. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The District, which lies wholly within the extraterritorial jurisdiction of the city of Houston, Texas, is subject to the continuing supervision of the TCEQ.

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; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District 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. Additionally, the District may, subject to certain limitations, develop parks and recreation facilities. See "THE BONDS - Issuance of Additional Debt."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description

The District contains approximately 644.17 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located approximately 14 miles north of the central business district of the City of Houston, and 0.5 miles west of Bush Intercontinental Airport. The District is located west of the Hardy Toll Road and north of Rankin Road. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in November in even numbered years. The current members and officers of the Board, along with their terms of office, are listed below. While all of the Directors own property within the District, none of the Directors currently resides within the District.

Name	Position	Term Expires November
Patricia Ann Tope	President	2018
Susan Wescott	Vice President	2018
Michele Z. Womack	Secretary, Records Management Officer	2020
Manny Mones	Assistant Secretary	2020
Marilyn Daniel	Director	2020

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

Tax Assessor/Collector - The District has engaged Avik Bonnerjee of B&A Municipal Tax Service, LLC, Houston, Texas, as the District's Tax Assessor/Collector. According to Mr. Bonnerjee, he presently serves approximately 29 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Utility System Operator - Inframark, LLC is employed by the District as the general operator of the District's System. According to Inframark, LLC, it serves as operator of the system of approximately 125 districts.

Consulting Engineer - The District has employed the firm of Provident Engineers, Inc., Sugar Land, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Auditor - The District engage Roth & Eyring, PLLC, Certified Public Accountant, to audit its financial statements for the year ending September 30, 2017. A copy of the District's audit for the fiscal year ended September 30, 2017, is included as "APPENDIX B" to this Official Statement.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P., as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 200 entities as bookkeeper

Legal Counsel - Marks Richardson PC, Houston, Texas serves as Bond Counsel to the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued and sold and therefore such fees are contingent on the issuance, sale and delivery of the Bonds. Such firm also serves as general counsel to the District on certain other matters. See "LEGAL MATTERS."

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

DEVELOPMENT AND HOME CONSTRUCTION

Land within the District that has been developed to date has been developed primarily for single-family residential usage as the single-family residential subdivisions platted as Meadowview Farms, Sections 2 through 10, Imperial Green, Sections 1 and 2, Remington Creek Ranch, Sections 1 through 4; manufactured home usage as Pine Trace, Phases 1 through 4 and Sections 5 and 6; and commercial usage (primarily industrial warehouse distribution facilities) as is described below. As of August 1, 2018, the District contained 1,164 single-family homes, including 15 single-family homes under construction, 76 vacant fully-developed single-family residential lots available for home construction and 677 manufactured homes. In addition, a total of approximately 484,665 square feet of commercial, warehouse and distribution, manufacturing, and industrial warehouse distribution improvements have been constructed on a total of approximately 51.3 acres within the District as follows: an approximately 12,320 square foot retail strip shopping center has been constructed on approximately 2.3 acres located within the District, an approximately 7,500 square foot warehouse and distribution facility has been constructed on approximately 6.0 acres located within the District, an approximately 71,450 square foot manufacturing complex consisting of four buildings has been constructed on approximately 6.5 acres located within the District, an approximately 4,472 square foot service station and convenience store has been constructed on approximately 5.7 acres located within the District, an approximately 55,080 square foot manufacturing facility has been constructed on approximately 9.8 acres located within the District, an approximately 329,643 square foot industrial distribution warehouse has been constructed on approximately 20 acres located within the District, and an approximately 4,200 square foot service station and convenience store has been constructed on approximately 1 acre located within the District. An approximately 6.0 acre tract of land located within the District has been developed with perimeter water distribution, wastewater collection and storm drainage facilities for the construction of a future warehouse facility. Further, two tracts of approximately 4.7 and 15.9 acres of land located within the District have been developed with perimeter water distribution, wastewater collection and storm drainage facilities for the construction of future commercial improvements.

The development of a total of approximately 242.7 acres (1,240 single-family residential lots) within the District is complete (Meadowview Farms, Sections 2 through 10, Imperial Green, Sections 1 and 2, and Remington Creek Ranch, Sections 1 through 4), including the completion of components of the District's System to serve such sections and street paving. Such lots have been developed for the construction of single-family homes (as opposed to the development of lots for manufactured homes as is described below).

Approximately 117.2 acres located within the District have been developed for manufactured home usage as is described below. Gary and Claudia Humpherys ("Humpherys") own a total of approximately 70.7 acres located within the District which are being utilized for the mining and production of sand and gravel. In addition to the aforementioned approximately 70.7 acres owned by Humpherys, approximately 52 acres available for future development described below are currently undeveloped. The balance of the land located within the District is located within certain major thoroughfare rights-of-way, drainage easements, detention ponds, is dedicated as recreation and open spaces, or is otherwise not available for development.

The District financed its cost of construction or acquisition of certain water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve approximately 126.3 acres of the approximately 157.8 acre area of the District originally platted as Imperial Plaza, Section 1 with the proceeds of the sale of the Series 1985 Bonds. The portion of the District originally platted as Imperial Plaza, Section 1 has been replatted and developed as the manufactured home community known as Pine Trace. Approximately 126.3 acres of such approximately 157.8 acre tract were originally developed into unrestricted reserves served with perimeter water distribution, wastewater collection and storm drainage facilities, and street paving. Approximately 117.2 of such acres have been developed into 680 manufactured home lots. The development of Pine Trace has been undertaken by Sun (described below under the caption "DEVELOPERS, HOME BUILDERS AND OTHER PRINCIPAL LAND OWNERS"), and includes the construction of water distribution, wastewater collection and storm drainage facilities to serve such lots. In addition, recreational facilities that include a community center, swimming pool and basketball court have been completed and are made available to all residents of Pine Trace. Approximately 677 of such 680 lots are currently occupied by manufactured home units. Sun owns all 680 of such lots and rents 439 of the spaces to the owners and lenders of the manufactured home units. An affiliate of Sun owns 238 manufactured home units that it is renting to tenants. Such 680 developed lots comprise Pine Trace, Phases 1 through 4, and Sections 5 and 6. Sun owns no additional land located within the District.

An aggregate of approximately 122.7 acres of land located within the District available for future development are currently undeveloped. Approximately 13.5 of such currently undeveloped acres are owned by BGM Land Investments, Ltd., a party related to Woodmere, the developer of Remington Creek Ranch (defined below under the caption "DEVELOPERS, HOME BUILDERS AND OTHER PRINCIPAL LAND OWNERS"). Approximately 70.7 of such currently undeveloped acres are owned by Humpherys, and approximately 38.5 of such currently undeveloped acres are owned by multiple other parties. See "TAX DATA - Principal 2018 Taxpayers." None of the owners of any of such currently undeveloped acres has any obligation to the District to develop any of such acres according to any timetable or at all, and any such owner may sell the land that it owns in its sole discretion. Therefore, the District cannot represent whether, or when, any development might occur (nor what type of development might occur) on any of the currently undeveloped land located within the District. See "FUTURE DEVELOPMENT."

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

The following table reflects the status of the residential development within the District as of August 1, 2018:

Single-Family Residential Units

	Lots				Homes				
	Fully Developed		Under Development		Under Construction		Completed		
Subdivision	Lots	Acres	Lots	Acres	Sold *	Unsold	Sold *	Unsold	Totals
Meadowview Farms									
Section 2	131	20.8			0	0	131	0	131
Section 3	108	22.1			0	0	108	0	108
Section 4	103	21.2			0	0	103	0	103
Section 5	91	14.0			0	0	91	0	91
Section 6	83	14.9			0	0	83	0	83
Section 7	82	12.9			0	0	82	0	82
Section 8	61	11.0			0	0	59	0	59
Section 9	24	5.7			0	0	24	0	24
Section 10	43	10.1			0	0	43	0	43
Imperial Green									
Section 1	204	45.1			0	0	204	0	204
Section 2	40	8.6			0	0	0	0	0
Remington Creek Ranch									
Section 1	79	14.2			0	4	74	0	78
Section 2	71	14.4			0	0	71	0	71
Section 3	69	19.3			0	0	66	1	67
Section 4	51	8.4	_	_	11	0	8	1	20
Totals	1,240	242.7	0	0	11	4	1,147	2	1,164

* 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.

Manufactured Home Units

	Lots				Homes		
	Fully Developed		Under Development		Owned by Individual	Owned by Sun	
Subdivision	Lots	Acres	Lots	Acres	Owner/Lender	or an Affiliate	Totals
Pine Trace							
Phases 1-4	501	86.2			347	110	457
Section 5	118	21.0			41	90	131
Section 6	61	10.0			51	38	89
	680	117.2			439	238	677

DEVELOPERS, HOME BUILDERS AND OTHER PRINCIPAL LAND OWNERS

The developer of Remington Creek Ranch is Woodmere Development Co., Ltd., a Texas limited partnership ("Woodmere"). The development of Remington Creek Ranch, Sections 1 through 4, consisting of a total 270 single-family residential lots (approximately 56.3 total acres), is complete, including street paving. Woodmere has developed Remington Creek Ranch, Sections 1 through 4 to provide single-family residential building sites on which an affiliate of Woodmere, Pride Homes, is constructing homes. Pride Homes is currently constructing homes on vacant single-family residential lots located in Remington Creek Ranch which range in size from approximately 1,489 to 3,086 square feet of living area and in sales price from approximately $174,990 to $208,990. Pride Homes is sometimes referred to in this Official Statement as the "Builder." BGM Land Investments, Ltd., a party related to Woodmere, owns approximately 13.5 acres of currently undeveloped land located within the District. No party, including Woodmere, has any commitment to the District to undertake the development of any of such currently undeveloped acres, and thus the District cannot represent whether the development of any of such acres will be undertaken or, if undertaken, completed. See "FUTURE DEVELOPMENT."

Jungers Development LLC ("Jungers"), a Texas limited liability company, has completed the development of Imperial Green, Section 2 (40 single-family residential lots on approximately 8.6 acres located within the District). Home construction has not yet commenced in Imperial Green, Section 2.

The developer of Pine Trace is Sun Pine Trace Limited Partnership, a Michigan limited partnership whose general partner is Sun Texas QRS, Inc., a Michigan corporation wholly-owned by Sun Communities, Inc., a publicly-traded corporation ("Sun") whose stock is listed on the New York Stock Exchange. Sun Communities, Inc. is 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 SEC. Sun Communities, Inc. owns and operates 367 manufactured housing communities in 31 states and Canada. Such communities are concentrated in the Midwest and Southeast portions of the United States. On December 31, 2017, Sun Communities, Inc's portfolio consisted of more than 121,892 developed sites. In 1999 Sun purchased partially developed manufactured home lots, a partially constructed recreational facility and approximately 59.8 acres of undeveloped land located within the District. Sun has completed the development of 680 manufactured home lots and the recreational facility within the District that are described above under the caption "Development and Home Construction." Sun owns all 680 of such lots and rents 439 of the spaces to the owners and lenders of the manufactured home units. An affiliate of Sun owns 238 manufactured home units that it is renting to tenants. Sun owns no additional land located within the District.

Approximately 70.7 acres of currently undeveloped land located within the District are owned by Humpherys. Humpherys is currently utilizing such acres for the mining and production of sand and gravel. Humpherys has not reported any definitive development plan to the District covering any of such acres. Humpherys does not have any obligation to the District to develop any of such acres in any manner or according to any timetable or at all, and may sell the land that it owns in its sole discretion. Therefore, the District cannot represent whether, or when, any development might occur (nor what type of development might occur) on any of such currently undeveloped land located within the District. See "FUTURE DEVELOPMENT."

FUTURE DEVELOPMENT

Approximately 242.7 acres of land located in the District have been developed for single-family residential usage into a total of 1,240 fully developed single-family residential lots as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District has financed components of the System to serve certain portions of the aforementioned fully developed single-family residential lots as is described in this Official Statement under the caption "THE SYSTEM." The District financed its cost of construction or acquisition of certain water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve approximately 126.3 acres of the approximately 157.8 acre area of the District originally platted as Imperial Plaza, Section 1 with the proceeds of the sale of the Series 1985 Bonds. The portion of the District originally platted as Imperial Plaza, Section 1 has been replatted and developed by Sun as the manufactured home community known as Pine Trace as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." Approximately 122.7 acres of land available for future development located in the District are currently undeveloped. Approximately 13.5 acres of such currently undeveloped land are owned by BGM Land Investments, Ltd., a party related to Woodmere (defined above under the caption "DEVELOPERS, HOME BUILDERS AND OTHER PRINCIPAL LAND OWNERS"). No party, including Woodmere, has any commitment to the District to undertake the development of any of such currently undeveloped acres, and thus the District cannot represent whether the development of any of such acres will be undertaken or, if undertaken, completed. Approximately 70.7 acres of currently undeveloped land located within the District are owned by Humpherys. Humpherys is currently utilizing such acres for the mining and production of sand and gravel. Humpherys has not reported any definitive development plan to the District covering any of such acres. Approximately 38.5 currently undeveloped acres described above are owned by multiple other parties. See "TAX DATA - Principal 2018 Taxpayers." None of the owners of any of such currently undeveloped acres is under any obligation to the District to undertake the development of any of such acres in any manner or according to any timetable, or at all. Moreover, any such owner may sell the land that it owns at its sole discretion. Therefore, the District can make no representation whether, or when, development might occur (nor what type of development might occur) on any of the currently undeveloped land located within the District. The balance of the land located within the District is contained within certain major thoroughfare rights-of-way, drainage easements, detention ponds, is dedicated as parks, recreation and open spaces, or is otherwise not available for development.

Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development in addition to that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the $7,705,000 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt." No party is under any obligation to initiate development of any of the currently undeveloped land located within the District or to complete any development, if begun, and any party initiating any future development thereon could modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that any future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM,"" and "INVESTMENT CONSIDERATIONS - Future Debt."

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Harris-Galveston Subsidence District ("HGSD"). The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its 644.17 acres is 2,041 with a total estimated population of 6,000 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The District financed its cost of construction or acquisition of certain water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve a portion of the approximately 126.3 acre area of the District originally platted as Imperial Plaza, Section 1 with the proceeds of the sale of the Series 1985 Bonds. The District financed components of the System that serve Imperial Green, Section 1 and Meadowview Farms, Section 2; water plant improvements; wastewater treatment plant improvements, and other items with the proceeds of the sale of the Series 2006 Bonds. The District financed components of the System that serve Meadowview Farms, Sections 5 and 6, and other items, with the proceeds of the sale of the Series 2009 Bonds. The District financed the expansion of the wastewater treatment plant and the lift station pump replacement with the proceeds of the Series 2011 Bonds. The District financed components of the System to serve Imperial Green Distribution Center and Pine Trace detention ponds, Meadowview Farms, Sections 7, 9 and 10 and Remington Creek Ranch, Section 1 with proceeds of the sale of the Series 2015 Bonds. The District financed components of the System to serve American Plaza, Sections 1 and 2, Pine Trace, Sections 3 through 6, and Meadowview Farms, Section 8, Remington Ranch, Section 2, and other items, with proceeds of the sale of the Series 2017 Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Wastewater Treatment

The District provides wastewater treatment capacity through an existing facility which contains 500,000 gallons-per-day ("g.p.d.") capacity. The District financed its cost of acquisition of the facility with a portion of the proceeds of the sale of the Series 1985 Bonds and the Series 2006 Bonds, and the District financed the expansion of the wastewater treatment plant and the lift station pump replacement with the proceeds of the Series 2011 Bonds. According to the District's Engineer, the capacity in the facility is adequate to serve a total of 2,100 ESFCs located in the District assuming a design criterion of 240 g.p.d./ESFC.

Water Supply

The District's permanent water supply system includes one 1,800 gallons-per-minute ("g.p.m.") water well, one 1,000,000 gallon ground storage tank, two 15,000 gallon pressure tanks, booster pumps aggregating 5,500 g.p.m., and appurtenant facilities, as well as emergency water supply interconnection lines with the adjoining Harris County Municipal Utility District No. 221. The District financed its cost of acquisition of the facility with a portion of the proceeds of the sale of the Series 1985 Bonds and the Series 2006 Bonds. According to the District's Engineer, the aforementioned water supply and storage facilities are adequate to serve 2,500 ESFCs located in the District.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the District, the maintenance of or the future growth of property values in the District could be adversely affected.

The Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect, which covers the land located in the District, indicates that no portion of the District other than in existing drainage channels is located in the 100-year flood plain of any watercourse.

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 District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. On January 9, 2013, the Subsidence District adopted a revised Regulatory Plan (the "2013 Plan"). Under the 1999 Plan, the District was required to submit to the Subsidence District by January 2003 a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005. Disincentive fees will be imposed under the 2013 Plan if the District's groundwater withdrawal exceeds 40% of the District's total water demand beginning January 2025 and exceeds 20% of the District's total water demand beginning January 2035. In addition, if the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the Central Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to 11 municipal utility districts in central Harris County and to prepare a ground water reduction plan to comply with the Subsidence District's 1999 plan. The Authority submitted its Groundwater Reduction Proposal to the Subsidence District and received final certification on December 10, 2003. This plan adopted by the Subsidence District covers the area of the District, and the District will not owe any disincentive fees to the Subsidence District. The Authority has entered into a contract with the City of Houston to purchase surface water. The Authority charges a ground water pumpage fee of $3.35 per 1,000 gallons. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in the Authority or another regional surface water conversion effort. The Authority has to date issued $60,640,000 revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds in the future to finance the Authority's project costs.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, (ii) the single-family residential lots that have been developed by the developers of the District and of the developed lots which have been and are being sold by the developers to homebuilders for the construction of primary residences, and (iii) the commercial buildings that have been constructed within the District. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots, homes, and commercial enterprises is directed. Decreased levels of home construction activity and/or the construction of new commercial buildings and significant vacancy rates of commercial buildings located within the District 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 values of existing homes. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. 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" and "DEVELOPERS, HOMEBUILDERS AND OTHER PRINCIPAL LAND OWNERS," as of August 1, 2018, (i) the District contained an aggregate of 1,240 fully developed single-family residential lots, (ii) 1,164 single-family homes, including 15 homes under construction, (iii) approximately 117.2 acres of land located within the District had been developed for manufactured home usage which contained 677 manufactured homes, (iv) a total of approximately 484,465 square feet of commercial; warehouse and distribution; manufacturing; and industrial warehouse distribution improvements have been constructed within the District; and (v) homebuilding companies were constructing homes in the District, the District cannot predict the pace or magnitude of any future development, home construction or construction of additional commercial improvements in the District other than that which has occurred to date, nor can the District predict the level of occupancy of any manufactured home units or any commercial; warehouse and distribution; manufacturing; or industrial warehouse distribution improvements within the District.

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 stated above under "Economic Factors," and as described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION" and "DEVELOPERS, HOMEBUILDERS AND OTHER PRINCIPAL LAND OWNERS," as of August 1, 2018, (i) the District contained an aggregate of 1,240 fully developed single-family residential lots, (ii) 1,164 single-family homes, including 15 homes under construction, (iii) approximately 117.2 acres of land located within the District had been developed for manufactured home usage which contained 677 manufactured homes, (iv) a total of approximately 484,465 square feet of commercial; warehouse and distribution; manufacturing; and industrial warehouse distribution improvements have been constructed within the District; and (v) homebuilding companies were constructing homes in the District, the District cannot predict the pace or magnitude of any future development, home construction or construction of additional commercial improvements in the District other than that which has occurred to date, nor can the District predict the level of occupancy of any manufactured home units or any commercial; warehouse and distribution; manufacturing; or industrial warehouse distribution improvements within the District. The District cannot predict what impact, if any, a downturn in the local housing market or a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgages and development funding have a direct impact on development, the construction of commercial improvements 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 or the construction of additional commercial improvements within the District. In addition, since the District is located approximately 14 miles north 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.

Developers and Principal Land Owners' Obligations to the District: Approximately 242.7 acres of land located in the District have been developed for single-family residential usage into a total of 1,240 fully developed single-family residential lots, as is described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District has financed components of the System to serve certain portions of the aforementioned fully developed single-family residential lots as is described in this Official Statement under the caption "THE SYSTEM." In addition, a total of approximately 484,465 square feet of commercial; warehouse and distribution; manufacturing; and industrial warehouse distribution improvements have been constructed within the District. Approximately 122.7 acres of land available for future development located in the District are currently undeveloped. Approximately 13.5 acres of such currently undeveloped land are owned by BGM Land Investments, Ltd., a party related to Woodmere (defined in this Official Statement under the caption "DEVELOPERS, HOME BUILDERS AND OTHER PRINCIPAL LAND OWNERS"). No party, including Woodmere, has any commitment to the District to undertake the development of any of such currently undeveloped acres, and thus the District cannot represent whether the development of any of such acres will be undertaken or, if undertaken, completed. See "FUTURE DEVELOPMENT." Approximately 70.7 acres of currently undeveloped land located within the District are owned by Humpherys. Humpherys is currently utilizing such acres for the mining production of sand and gravel. Humpherys has not reported any definitive development plan to the District covering any of such acres. Approximately 38.5 currently undeveloped acres described above are owned by multiple other parties. See "TAX DATA - Principal 2018 Taxpayers." None of the owners of any of such currently undeveloped acres is under any obligation to the District to undertake the development of any of such acres in any manner or according to any timetable, or at all. Moreover, any such owner may sell the land that it owns at its sole discretion. Therefore, the District can make no representation whether, or when, any development might occur (nor what type of development might occur) on any of the currently undeveloped land located within the District. See "FUTURE DEVELOPMENT."

Special Considerations Relating to Manufactured Housing: As is stated in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPERS, HOME BUILDERS AND OTHER PRINCIPAL LANDOWNERS," a portion of the land that has been developed to date has been developed for manufactured housing use (approximately 1999 to the present). Sun owns all 680 of such lots and rents 439 of the spaces to the owners and lenders of the manufactured home units. In addition, an affiliate of Sun owns 238 manufactured home units on such 680 lots that it is renting to tenants.

The District has experienced a greater incidence of tax delinquencies on a current basis from the owners of the manufactured home units that have been placed on the manufactured home lots developed and owned by Sun than municipal utility districts generally experience with respect to single-family homes, and than has been experienced by the District with respect to single-family homes that have been constructed within the District. Although Sun has been current in its tax payments on its lots, the owners of the manufactured homes on such lots have had a higher delinquency rate than conventional single-family home owners. A tax lien on a manufactured home may not be enforced unless it has been registered with the Texas Department of Housing and Community Affairs not later than six (6) months after the end of the year for which the tax was owed. The tax nevertheless remains the personal obligation of the owner as of January 1 of such manufactured home. As is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," as of July 31, 2018, the District had experienced historical collections on a total basis that had averaged 99.98% for the period 2007 through 2016, and its 2017 levy, which is in the process of collection, was 99.21% collected as of such date. The District has been able to force delinquent taxpayers, including manufactured home owners, to eventually pay their tax, even if delinquent, by (i) enforcing a provision of Section 49.212, Texas Water Code, as amended, that enables the District to discontinue water service to delinquent taxpayers who are at least six months delinquent in such payment, and (ii) by vigorous collection measures, including retaining delinquent tax counsel to enforce the lien securing the payment of the tax obligation. Although the District has no reason to believe that the historical pattern of tax collections that the District has experienced with respect to manufactured housing will be different in the future than it has been in the past, the District intends to vigorously exercise its rights to collect its tax when due. Moreover, the development that has occurred in the District since 2003 has been predominately conventional single-family and commercial in nature. See "TAX DATA - Analysis of Tax Base." As and to the extent that development and home construction and commercial development and construction in the District continues to predominate in the addition of conventional single-family housing and commercial improvements and values rather than manufactured housing values, the proportion of the District's tax base comprised of values of manufactured housing is expected to continue to abate.

Maximum Impact on District Tax Rates: Assuming no further development than that undertaken in the District to date, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2017 Assessed Valuation of property located within the District is $260,031,778. After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds will be $1,616,800 (2033) and the average annual debt service requirements will be $1,550,008 (2019 through 2034, inclusive). Assuming no increase to nor decrease from the 2017 Assessed Valuation, no use of other District funds on hand, and the sale of no bonds by the District except the Bonds and the Prior Bonds, tax rates of $0.66 and $0.63 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, of the Bonds and the Remaining Outstanding Bonds. The 2018 Assessed Valuation of property located within the District is $270,173,461. Assuming no increase to nor decrease from the 2018 Assessed Valuation, no use of other District funds on hand, and the sale of no bonds by the District except the Bonds and the Prior Bonds, tax rates of $0.63 and $0.61 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, of the Bonds and the Remaining Outstanding Bonds.

The District levied a debt service tax of $0.65 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2017. The District anticipates levying a debt service tax of $0.57 per $100 of Assessed Valuation and a maintenance tax of $0.27 per $100 of Assessed Valuation for 2018. As is illustrated above, the anticipated 2018 debt service tax rate will not be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds assuming taxable values in the District at the level of the 2018 Assessed Valuation, assuming collection of 95% of taxes levied, no use of other District funds on hand, and the sale of no bonds by the District except the Bonds and the Prior Bonds. However, as is outlined in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected 99.98% of its property taxes for the period 2007 through 2016, and its 2017 levy, which is in the process of collection, was 99.21% collected as of July 31, 2018. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES." Moreover, the District's Bond Fund balance is estimate to be $1,464,387 as of the date of delivery of the Bonds. The District has in the past supplemented tax revenues with interest earned from the investment of monies held in the Debt Service Fund to meet its debt obligations. See "APPENDIX B - ANNUAL AUDIT REPORT." Therefore, the District anticipates being able to pay the Average Annual and Maximum Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds without increasing its debt service levy above the level of the anticipated 2018 debt service levy of $0.57 per $100 of Assessed Valuation. The District can make no representation, however, that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENTS CONSIDERATIONS - Future Debt.”

As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2017 tax levies of all units of government which levy taxes against the property located within the District plus the District’s 2018 levy is $3.292975 per $100 of Assessed Valuation as to that portion of the District that lies within the Spring Independent School District, and $3.156363 per $100 of Assessed Valuation as to that portion of the District that lies within the Aldine Independent School District, which aggregate levies are higher than the aggregate of the tax levies of many municipal utility districts located within the Houston metropolitan area but are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of $0.84 per $100 of Assessed Valuation which the District anticipates levying for 2018 (consisting of a debt service rate of $0.57 per $100 of Assessed Valuation plus a maintenance tax of $0.27 per $100 of Assessed Valuation) may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See “THE BONDS - Remedies in Event Default,” “TAX DATA - Estimated Overlapping Taxes,” and “TAX PROCEDURES.”

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 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 major taxpayer, (c) market conditions affecting the marketability of taxable property within the District at a foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, or (e) insufficient foreclosure bids to satisfy the tax liens of all taxing authorities on the 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. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See “TAX PROCEDURES.”

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a statutory right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether §49.066 Texas Water Code effectively waives government immunity of a municipal utility district for suits for money damages. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Order the right to issue the remaining $7,705,000 unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, and $32,626,629.89 authorized but unissued unlimited tax refunding bonds, and such additional bonds as may hereafter be approved by both the Board of Directors and the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, 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 $7,705,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. The District's Engineer currently estimates that the aforementioned $7,705,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "FUTURE DEVELOPMENT." 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. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, the District anticipates financing the acquisition or construction of additional components of the System, and other facilities, with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt."

Competitive Nature of Houston Residential Housing and Commercial Development Market

The single-family development and housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that the development programs that are planned by Woodmere, Sun or any future developer(s), or the home building programs which are planned by the Pride Homes, or any future home builders(s) will be continued or completed, that additional commercial buildings will be constructed within the District, or that any development projects other than those that have been heretofore undertaken in the District will be initiated or completed. The likelihood of the construction of future homes or commercial buildings or the initiation of any new residential or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

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 HGB 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 ppb to 70 ppb ("the 2015 Ozone Standard"). On May 1, 2018, the EPA designated the HGB area as nonattainment for the 2015 Ozone Standard, and submitted this ruling for publication in the Federal Register. The HGB area nonattainment designation will become effective sixty days after publication in the Federal Register. A designation of nonattainment for ozone or any pollutant can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. This designation could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and 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 put the CWR on hold nationwide. On January 22, 2018, the United States Supreme Court held that challenges to the CWR must proceed in federal district court as they do not fall within one of the CWA's enumerated categories of EPA actions for which the federal courts of appeal have jurisdiction. On February 6, 2018, the states of Texas, Louisiana, and Mississippi filed a lawsuit in federal district court seeing an injunction enjoining the implementation and enforcement of the CWR.

On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR, reinstating language in place before 2015 changes, and proposing the development of a revised definition of "waters of the United States." This proposed rule was published in the Federal Register on July 27, 2017, the comment period ended on September 28, 2017, and comments are currently under review by the agencies. The EPA plans to finalize the revised rule by the end of 2018. On January 31, 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR by two years from the date the rule is published in the Federal Register, until 2020. In response, a coalition of states filed a lawsuit in the U.S. District Court for the Southern District of New York alleging the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period. If the CWR is not rescinded, 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 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.

Tropical Weather Events; Hurricane Harvey

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

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator and Engineer, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service. Neither the District's Operator nor Engineer is aware of any homes or businesses within the District that experienced structural flooding or other significant damage as a result of Hurricane Harvey. Hurricane Harvey could have a material impact on the Houston region's economy. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes within the District.

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

Specific Flood Type Risks

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

LEGAL MATTERS

Legal Opinion

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District 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. The District will also furnish the approving legal opinion of Marks Richardson PC, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described below under the caption "TAX MATTERS."

In addition to serving as Bond Counsel, Marks Richardson PC, also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by their counsel McCall, Parkhurst & Horton L.L.P., Houston, Texas. McCall, Parkhurst & Horton L.L.P. has served as Disclosure Counsel for the District on certain previous new money financings.

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

Legal Review

In its capacity as Bond Counsel, Marks Richardson PC has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "PLAN OF FINANCING - Payment of the Refunded Bonds," "THE DISTRICT - General," and - "Management of the District - Bond Counsel and General Counsel," "TAX PROCEDURES" and "LEGAL MATTERS - Legal Opinions" and "TAX MATTERS," solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state law with regard to the sale of the Bonds. Bond Counsel has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon the District's federal tax certificate and the verification report prepared by Grant Thornton LLP, Certified Public Accountants and covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matter. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title to the then present offices and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriters 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.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (a) computation of the adequacy of the amounts to be held by the Paying Agent for the Refunded Bonds to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yield on the Refunding Bonds, and (c) the mathematical computations related to certain requirements of City of Houston Ordinance No. 97-416 was verified by Grant Thornton LLP, Certified Public Accountants. The computations were independently verified by Grant Thornton LLP based solely upon assumptions and information supplied on behalf of the District, and the District. Grant Thornton LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

Grant Thornton relied on the accuracy, completeness and reliability of all information provide to it by, and on all decisions and approvals of, the District. In addition, Grant Thornton has relied on any information provided to it by the District's retained advisors, consultants or legal counsel. Grant Thornton was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Tax Assessor/Collector, the Harris County Appraisal District, the Engineer, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "GENERAL CONSIDERATIONS - Certification of Official Statement." The summaries of the statutes, resolutions, orders 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 year ended September 30, 2017, were audited by Roth & Eyring, PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." Roth & Eyring, PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM," has been provided by Provident Engineers, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Harris County Appraisal District and Avik Bonnerjee. The District has included certain information herein in reliance upon Mr. Avik Bonnerjee's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

GENERAL CONSIDERATIONS

Updating of Official Statement

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

Certification of Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" and "TAX DATA" and in "APPENDIX B" (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2018.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years the District has been in compliance, in all material respects, with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Harris County Utility District No. 16 as of the date shown on the first page hereof.

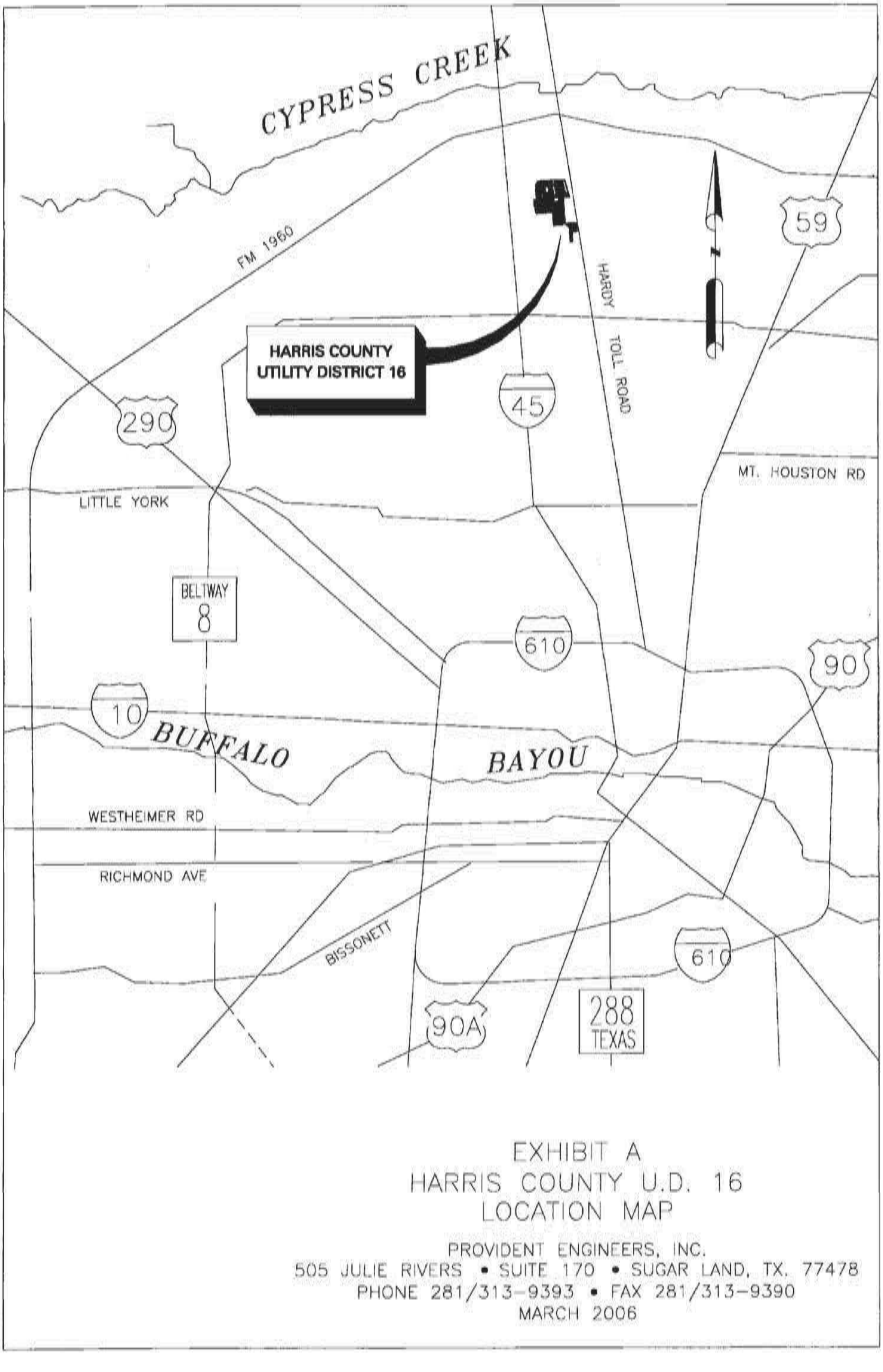
/s/ Patricia Ann Tope
President, Board of Directors
Harris County Utility District No. 16

ATTEST:

/s/ Michele Z. Womack
Secretary, Board of Directors
Harris County Utility District No. 16

APPENDIX A

LOCATION MAP



APPENDIX B

HARRIS COUNTY UTILITY DISTRICT NO. 16

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2017

HARRIS COUNTY UTILITY DISTRICT NO. 16

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2017

CONTENTS

Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

January 12, 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Utility District No. 16
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Harris County Utility District No. 16, as of and for the year ended September 30, 2017, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris County Utility District No. 16 as of September 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 23 to 43 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any a

Roth & Eyring, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Utility District No. 16 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2017.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection and security service, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	2017	2016	Change
Current and other assets	$ 5,319,720	$ 3,231,261	$ 2,088,459
Capital assets	17,124,048	16,778,047	346,001
Total assets	22,443,768	20,009,308	2,434,460
Long-term liabilities	27,533,951	24,535,408	2,998,543
Other liabilities	986,530	912,411	74,119
Total liabilities	28,520,481	25,447,819	3,072,662
Net position:			
Invested in capital assets, net of related debt	(9,785,754)	(7,133,356)	(2,652,398)
Restricted	2,729,532	1,168,476	1,561,056
Unrestricted	979,509	526,369	453,140
Total net position	$ (6,076,713)	$ (5,438,511)	$ (638,202)

Summary of Changes in Net Position

	2017	2016	Change
Revenues:			
Property taxes, including related penalty and interest	$ 2,280,800	$ 1,968,195	$ 312,605
Charges for services	1,470,566	1,578,685	(108,119)
Other revenues	16,037	11,033	5,004
Total revenues	3,767,403	3,557,913	209,490
Expenses:			
Service operations	3,069,217	3,436,283	(367,066)
Debt service	1,336,388	836,709	499,679
Total expenses	4,405,605	4,272,992	132,613
Change in net position	(638,202)	(715,079)	76,877
Net position, beginning of year	(5,438,511)	(4,723,432)	(715,079)
Net position, end of year	$ (6,076,713)	$ (5,438,511)	$ (638,202)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2017, were $4,847,719, an increase of $1,992,019 from the prior year.

The General Fund balance increased by $442,424, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $218,756, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by $1,330,839, as proceeds from the Series 2017 Bonds exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of budget to actual amounts is presented on Page 22 of this report. The budgetary fund balance as of September 30, 2017, was expected to be $2,091,104 and the actual end of year fund balance was $2,085,903.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2017	2016	Change
Land	$ 3,226,526	$ 2,750,170	$ 476,356
Detention ponds	1,795,241	1,734,020	61,221
Construction in progress	2,393,697	4,813,472	(2,419,775)
Water facilities	2,633,060	1,957,952	675,108
Sewer facilities	6,968,343	5,411,496	1,556,847
Drainage facilities	107,181	110,937	(3,756)
Totals	$ 17,124,048	$ 16,778,047	$ 346,001

Changes to capital assets during the fiscal year ended September 30, 2017, are summarized as follows:

Additions:	
Replacement of pumps	$ 10,947
Water, sewer and drainage facilities constructed by developers	1,655,023
Total additions to capital assets	1,665,970
Decreases:	
Transfer of subdivision drainage system to Harris County	(967,301)
Depreciation	(352,668)
Net change to capital assets	$ 346,001

Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2017, are summarized as follows:

Bonded debt payable, beginning of year	$ 19,395,000
Bonds sold	6,100,000
Bonds paid	(530,000)
Bonded debt payable, end of year	$ 24,965,000

At September 30, 2017, the District had $7,705,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The Series 2015 bonds and the Series 2015 refunding bonds have an underlying rating of BBB- by Standard & Poor's and the Series 2017 bonds have an underlying rating of Baa2 by Moody's. The Series 2011 and 2014 bonds are not rated. The Series 2015 and 2017 bonds are insured by Assured Guaranty Municipal Corp. and the Series 2015 refunding bonds are insured by Municipal Assurance Corp. Because of the insurance, the insured bonds are rated AA by Standard & Poor's. None of the District's bonds issued prior to 2015 are rated.

As further described in Note 5 of the notes to the financial statements, developers within the District have constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At September 30, 2017, the estimated amount due to developers was $2,393,697. In addition, a developer within the District has advanced funds for the operations of the District in the amount of $1,122,831. The District has agreed to reimburse the developers from the proceeds of sold and future bond issues subject to the approval of the Texas Commission on Environmental Quality.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately $53,820,000 for the 2016 tax year (approximately 28%), primarily due to the increase in new houses added to the tax base.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

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

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

Water Supply Issues

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to submit to the Subsidence District by January 2003 a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure or to participate in a regional surface water conversion effort. In addition, if the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

Effective September 1, 2005, the Texas Legislature approved the creation of the Central Harris County Regional Water Authority (the "Central Authority") to provide for the conversion of water use by certain entities such as the District from groundwater to surface water, and to comply with the requirements of the Subsidence District. The District is one of 11 districts that are within the boundaries of the Authority. Prior to the creation of the Authority, the districts within the boundaries of the Central Authority were members of the Central Harris County Water Users Consortium (the "Consortium"). The Central Authority assumed the rights and obligations of the Consortium. The Consortium had negotiated and entered into a contract for the purchase of treated surface water from the City of Houston (the "City") to meet the surface water conversion requirements of the Subsidence District's 1999 Plan. The Consortium had also negotiated and entered into an agreement with the North Harris County Regional Water Authority (the "North Authority") for the joint financing, design, construction, operation and maintenance of a sixty inch (60") water transmission line to be constructed from the point of delivery of surface water to the North Authority from the Houston Area Water Corporation's Northeast Water Purification Plant and extending in a westerly direction along the Beltway 8 right-of-way, to the future T. C. Jester right-of-way in a northerly direction to the area of the Consortium members. Additionally, the Consortium had received approval of its Groundwater Reduction Plan by the Subsidence District. As of September 30, 2017, the Central Authority had assessed a ground water pumpage fee of $2.51 per 1,000 gallons of usage. The pumpage fee is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure, including participating in the Cental Authority's prorata share of costs of the sixty inch (60") surface water transmission line.

HARRIS COUNTY UTILITY DISTRICT NO. 16

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2017

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 129,782	$ 164,636	$ 121	$ 294,539	$	$ 294,539
Certificates of deposit, at cost, Note 7	1,700,000	960,000		2,660,000		2,660,000
Temporary investments, at cost, Note 7	428,566	358,672	1,339,804	2,127,042		2,127,042
Receivables:						
Property taxes	16,437	37,515		53,952		53,952
Accrued penalty and interest on property taxes				0	13,768	13,768
Service accounts	146,657			146,657		146,657
Accrued interest	4,286	1,044		5,330		5,330
Other	12,836			12,836		12,836
Prepaid expenditures	5,596			5,596		5,596
Due from other fund		14,727		14,727	(14,727)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	7,415,464	7,415,464
Depreciable capital assets				0	9,708,584	9,708,584
Total assets	$2,444,160	$1,536,594	$1,339,925	$ 5,320,679	17,123,089	22,443,768
LIABILITIES						
Accounts payable	$ 138,322	$ 73,738	$ 3,450	$ 215,510		215,510
Accrued interest payable				0	83,567	83,567
Customer and builder deposits	188,771			188,771		188,771
Due to other fund	14,727			14,727	(14,727)	0
Long-term liabilities, Note 5:						
Due within one year				0	498,682	498,682
Due in more than one year				0	27,533,951	27,533,951
Total liabilities	341,820	73,738	3,450	419,008	28,101,473	28,520,481
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	16,437	37,515	0	53,952	(53,952)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Committed to reimbursements to developers			1,083,013	1,083,013	(1,083,013)	0
Assigned to:						
Debt service		1,425,341		1,425,341	(1,425,341)	0
Capital projects			253,462	253,462	(253,462)	0
Unassigned	2,085,903			2,085,903	(2,085,903)	0
Total fund balances	2,085,903	1,425,341	1,336,475	4,847,719	(3,764,706)	1083013
Total liabilities, deferred inflows, and fund balances	$2,444,160	$1,536,594	$1,339,925	$ 5,320,679		
Net position:						
Invested in capital assets, net of related debt, Note 4					(9,785,754)	(9,785,754)
Restricted for debt service					1,393,057	1,393,057
Restricted for capital projects					1,336,475	1,336,475
Unrestricted, Note 5					979,509	979,509
Total net position					$ (6,076,713)	$ (6,076,713)

HARRIS COUNTY UTILITY DISTRICT NO. 16

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 672,377	$ 1,544,989	$	$ 2,217,366	$ 34,284	$ 2,251,650
Water service	484,813			484,813		484,813
Sewer service	431,384			431,384		431,384
Surface water fees, Note 9	343,714			343,714		343,714
Penalty and interest	93,314	22,152		115,466	6,998	122,464
Tap connection and inspection fees	84,756			84,756		84,756
Interest on deposits and investments	12,146	13,162	7,277	32,585		32,585
Accrued interest on bonds received at date of sale		9,341		9,341	(9,341)	0
Other revenues	16,037			16,037		16,037
Total revenues	2,138,541	1,589,644	7,277	3,735,462	31,941	3,767,403
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	127,265	5,780		133,045		133,045
Contracted services	144,567	46,045	1,134	191,746		191,746
Utilities	87,645			87,645		87,645
Ground water pumpage fees, Note 9	362,608			362,608		362,608
Repairs, maintenance and other operating expenditures	474,254			474,254		474,254
Security service	67,206			67,206		67,206
Garbage disposal	271,674			271,674		271,674
Administrative expenditures	85,345	11,025	94	96,464		96,464
Depreciation				0	352,668	352,668
Capital outlay / non-capital outlay	75,553		4,074,798	4,150,351	(3,118,444)	1,031,907
Debt service:						
Principal retirement		530,000		530,000	(530,000)	0
Bond issuance expenditures			517,412	517,412		517,412
Interest and fees		778,038		778,038	40,938	818,976
Total expenditures / expenses	1,696,117	1,370,888	4,593,438	7,660,443	(3,254,838)	4,405,605
Excess (deficiency) of revenues over expenditures	442,424	218,756	(4,586,161)	(3,924,981)	3,286,779	(638,202)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		183,000	5,917,000	6,100,000	(6,100,000)	0
Bond issuance discount, Note 5		(183,000)		(183,000)	183,000	0
Total other financing sources (uses)	0	0	5,917,000	5,917,000	(5,917,000)	0
Net change in fund balances / net position	442,424	218,756	1,330,839	1,992,019	(2,630,221)	(638,202)
Beginning of year	1,643,479	1,206,585	5,636	2,855,700	(8,294,211)	(5,438,511)
End of year	$ 2,085,903	$ 1,425,341	$ 1,336,475	$ 4,847,719	$(10,924,432)	$ (6,076,713)

HARRIS COUNTY UTILITY DISTRICT NO. 16

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: REPORTING ENTITY

Harris County Utility District No. 16 (the "District") was created by acts of the 62nd Legislature of the State of Texas, Regular Session, 1971 and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on December 9, 1980, and the first bonds were sold on December 19, 1985. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 4,847,719
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		17,124,048
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (24,965,000)	
Deferred charge on refunding (to be amortized as interest expense)	262,811	
Issuance (premium) net of discount (to be amortized as interest expense)	186,084	
Due to developer for operating advances	(1,122,831)	
Due to developers for construction	(2,393,697)	(28,032,633)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	13,768	
Uncollected property taxes	53,952	67,720
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(83,567)
Net position, end of year		$ (6,076,713)

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

Total net change in fund balances		$ 1,992,019
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 3,118,444	
Depreciation	(352,668)	2,765,776
The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(6,100,000)	
Principal reduction	530,000	(5,570,000)
The funds report the effect of bond issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(24,559)	
Issuance discount, net of premium	176,385	151,826
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	6,998	
Uncollected property taxes	34,284	41,282
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		(19,105)
Change in net position		$ (638,202)

NOTE 4: CAPITAL ASSETS

At September 30, 2017, “Invested in capital assets, net of related debt” was $(9,785,754). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,750,170	$ 476,356	$	$ 3,226,526
Detention ponds	1,734,020	61,221		1,795,241
Construction in progress	4,813,472	1,655,023	4,074,798	2,393,697
Total capital assets not being depreciated	9,297,662	2,192,600	4,074,798	7,415,464
Depreciable capital assets:				
Water system	3,478,879	769,633		4,248,512
Sewer system	7,169,256	1,811,234		8,980,490
Drainage system	169,043			169,043
Total depreciable capital assets	10,817,178	2,580,867	0	13,398,045
Less accumulated depreciation for:				
Water system	(1,520,927)	(94,525)		(1,615,452)
Sewer system	(1,757,760)	(254,387)		(2,012,147)
Drainage system	(58,106)	(3,756)		(61,862)
Total accumulated depreciation	(3,336,793)	(352,668)	0	(3,689,461)
Total depreciable capital assets, net	7,480,385	2,228,199	0	9,708,584
Total capital assets, net	$ 16,778,047	$ 4,420,799	$ 4,074,798	$ 17,124,048
Changes to capital assets:				
Capital outlay		$ 4,085,745	$	
Decrease in liability to developers		(4,074,798)		
Increase in liability to developers		1,655,023		
Assets transferred to non- depreciable assets		537,577	537,577	
Assets transferred to depreciable assets		2,569,920	2,569,920	
Transfer of subdivision drainage system to Harris County			967,301	
Less depreciation expense for the fiscal year		(352,668)		
Net increases / decreases to capital assets		$ 4,420,799	$ 4,074,798	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 19,395,000	$ 6,100,000	$ 530,000	$ 24,965,000	$ 540,000
Less deferred amounts:					
For issuance (discounts) premiums	(9,699)	(183,000)	(6,615)	(186,084)	(17,251)
For refunding	(287,370)		(24,559)	(262,811)	(24,067)
Total bonds payable	19,097,931	5,917,000	498,826	24,516,105	498,682
Bond Anticipation Note payable	0	3,490,000	3,490,000	0	-----------
Due to developer for operating advances (see below)	1,122,831			1,122,831	-----------
Due to developers for construction (see below)	4,813,472	1,655,023	4,074,798	2,393,697	-----------
Total due to developers	5,936,303	1,655,023	4,074,798	3,516,528	0
Total long-term liabilities	$ 25,034,234	$ 11,062,023	$ 8,063,624	$ 28,032,633	$ 498,682

Developer Construction Commitments, Liabilities and Advances

A developer within the District has advanced funds to the District to cover initial operating deficits. At September 30, 2017, the cumulative amount of unreimbursed developer advances was $1,122,831. These amounts have been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5. This amount has been recorded as a decrease in “Unrestricted net position” in the government-wide financial statements. Without this decrease, “Unrestricted net position” would have a positive balance of $2,102,340.

Developers within the District have constructed certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of sold and future bond issues to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that unreimbursed cost of the construction in progress at September 30, 2017, was $2,393,697. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

Bonds voted	$ 37,000,000.00
Bonds approved for sale and sold	29,295,000.00
Bonds voted and not issued	7,705,000.00
Refunding bonds voted	33,500,000.00
Refunding approved for sale and sold	778,370.11
Refunding bonds voted and not issued	32,721,629.89

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of September 30, 2017, the debt service requirements on the bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 540,000	$ 1,002,808	$ 1,542,808
2019	550,000	972,025	1,522,025
2020	595,000	956,687	1,551,687
2021	605,000	940,176	1,545,176
2022	625,000	920,863	1,545,863
2023 - 2027	3,555,000	4,248,548	7,803,548
2028 - 2032	4,500,000	3,424,125	7,924,125
2033 - 2037	4,595,000	2,370,864	6,965,864
2038 - 2042	4,800,000	1,405,844	6,205,844
2043 - 2046	4,600,000	425,781	5,025,781
	$ 24,965,000	$ 16,667,721	$ 41,632,721

The bond issues payable at September 30, 2017, were as follows:

	Series 2011	Refunding Series 2014	Refunding Series 2015
Amounts outstanding, September 30, 2017	$2,875,000	$6,325,000	$5,115,000
Interest rates	4.20% to 5.125%	2.00% to 4.50%	2.00% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2018/2037	September 1, 2018/2034	September 1, 2018/2034
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2018*	September 1, 2021*	September 1, 2022*

	Series 2015	Series 2017
Amounts outstanding, September 30, 2017	$4,550,000	$6,100,000
Interest rates	3.625% to 5.00%	3.25% to 5.75%
Maturity dates, serially beginning/ending	September 1, 2018/2043	September 1, 2019/2046
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates	September 1, 2022*	September 1, 2024*

*Or any date thereafter, in whole or in part, callable at par plus unpaid accrued interest to the date fixed for redemption.

NOTE 6: PROPERTY TAXES

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

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held April 7, 1984, the voters within the District authorized a maintenance tax not to exceed $0.50 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 14, 2016, the District levied the following ad valorem taxes for the 2016 tax year on the adjusted taxable valuation of $230,044,164:

	Rate	Amount
Debt service	$ 0.6900	$ 1,587,282
Maintenance	0.3000	690,122
	$ 0.9900	$ 2,277,404

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

2016 tax year total property tax levy	$ 2,277,404
Appraisal district adjustments to prior year taxes	(25,754)
Statement of Activities property tax revenues	$ 2,251,650

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was $2,954,539 and the bank balance was $3,001,878. Of the bank balance, $2,933,709 was covered by federal insurance and $68,169 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was $2,127,042.

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

Debt Service Fund

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

Cash	$	164,636
Certificates of deposit		960,000
Temporary investments		358,672
	$	1,483,308

Capital Projects Fund

For construction of fixed assets and all costs necessary for creation and organization of the District:

Cash	$	121
Temporary investments		1,339,804
	$	1,339,925

NOTE 8: RISK MANAGEMENT

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

At September 30, 2017, the District had physical damage and boiler and machinery coverage of $5,570,000, comprehensive general liability coverage with a per occurrence limit of $2,000,000 and $4,000,000 general aggregate, worker's compensation coverage of $1,000,000, consultant's crime coverage of $25,000 and a tax assessor-collector bond of $10,000.

NOTE 9: REGIONAL WATER AUTHORITY FEES

Effective September 1, 2005, the Texas Legislature approved the creation of the Central Harris County Regional Water Authority (the "Central Authority") to provide for the conversion of water use by certain entities such as the District from groundwater to surface water, and to comply with the requirements of the Subsidence District. Prior to the creation of the Authority, effective December 13, 2002, the districts within the boundaries of the Central Authority were members of the Central Harris County Water Users Consortium (the "Consortium"). The Central Authority assumed the rights and obligations of the Consortium. The Consortium had negotiated and entered into a contract for the purchase of treated surface water from the City of Houston (the "City") to meet the surface water conversion requirements of the Subsidence District's 1999 Plan. The Consortium had also negotiated and entered into an agreement with the North Harris County Regional Water Authority (the "North Authority") for the joint financing, design, construction, operation and maintenance of a sixty inch (60") water transmission line to be constructed from the point of delivery of surface water to the North Authority from the Houston Area Water Corporation's Northeast Water Purification Plant and extending in a westerly direction along the Beltway 8 right-of-way, to the future T. C. Jester right-of-way in a northerly direction to the area of the Consortium members. Additionally, the Consortium had received approval of its Groundwater Reduction Plan by the Subsidence District. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure, including participating in the Cental Authority's prorata share of costs of the sixty inch (60") surface water transmission line.

As of September 30, 2017, the Central Authority had established a surface water pumpage fee of $2.51 per 1,000 gallons of water pumped from each of the member district's wells. The pumpage fee is expected to increase in the future. The District's well pumpage fees payable to the Central Authority for the fiscal year ended September 30, 2017, were $362,608. The District billed its customers $343,714 during the fiscal year to pay for a portion of the fees charged by the Central Authority.

HARRIS COUNTY UTILITY DISTRICT NO. 16

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 665,225	$ 665,225	$ 672,377	$ 7,152
Water service	535,000	535,000	484,813	(50,187)
Sewer service	460,900	460,900	431,384	(29,516)
Surface water fees	431,300	431,300	343,714	(87,586)
Penalty	96,500	96,500	93,314	(3,186)
Tap connection and inspection fees	77,400	77,400	84,756	7,356
Interest on deposits and investments	6,300	6,300	12,146	5,846
Other revenues	29,700	29,700	16,037	(13,663)
TOTAL REVENUES	2,302,325	2,302,325	2,138,541	(163,784)
EXPENDITURES				
Service operations:				
Professional fees	140,650	140,650	127,265	(13,385)
Contracted services	140,500	140,500	144,567	4,067
Utilities	120,000	120,000	87,645	(32,355)
Ground water pumpage fees	431,300	431,300	362,608	(68,692)
Repairs, maintenance and other operating expenditures	527,800	527,800	474,254	(53,546)
Security service	70,500	70,500	67,206	(3,294)
Garbage disposal	274,200	274,200	271,674	(2,526)
Administrative expenditures	93,500	93,500	85,345	(8,155)
Capital outlay	56,250	56,250	75,553	19,303
TOTAL EXPENDITURES	1,854,700	1,854,700	1,696,117	(158,583)
EXCESS REVENUES (EXPENDITURES)	447,625	447,625	442,424	(5,201)
FUND BALANCE, BEGINNING OF YEAR	1,643,479	1,643,479	1,643,479	0
FUND BALANCE, END OF YEAR	$ 2,091,104	$ 2,091,104	$ 2,085,903	$ (5,201)

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

HARRIS COUNTY UTILITY DISTRICT NO. 16

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

SEPTEMBER 30, 2017

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Certificates of Deposits

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Year

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY UTILITY DISTRICT NO. 16

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2017

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

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

__ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
__ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$17.00	3,000	N	$1.50	3,001 to 5,000
				1.75	5,001 to 10,000
				2.25	10,001 to 20,000
				2.75	Over 20,000
WASTEWATER:	$17.60	3,000	N	$1.00	Over 3,000

SURCHARGE: $2.64 per 1,000 gallons of water used. – CHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $27.50 Wastewater: $24.60 Surcharge: $26.40

HARRIS COUNTY UTILITY DISTRICT NO. 16

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2017

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	1,800	1,767	1.0	1,767
1"	9	9	2.5	23
1-1/2"	3	3	5.0	15
2"	15	15	8.0	120
3"	3	2	15.0	30
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	1,831	1,797		2,035
Total Wastewater	1,808	1,774	1.0	1,774

*Single family equivalents

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

Gallons pumped into system (unaudited):	139,853
Gallons billed to customers (unaudited):	139,150
Water Accountability Ratio (Gallons billed/ gallons pumped):	99%

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

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

If yes, date of the most recent Commission Order: ____________________

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

If yes, date of the most recent Commission Order: ____________________

HARRIS COUNTY UTILITY DISTRICT NO. 16

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 10,600	$	$	$ 10,600
Legal	61,414	5,780		67,194
Engineering	55,251			55,251
	127,265	5,780	0	133,045
Contracted services:				
Bookkeeping	26,968		1,134	28,102
Operation and billing	117,599			117,599
Tax assessor-collector		28,878		28,878
Central appraisal district		17,167		17,167
	144,567	46,045	1,134	191,746
Utilities	87,645	0	0	87,645
Ground water pumpage fees	362,608	0	0	362,608
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	366,483			366,483
Sludge hauling	24,470			24,470
Chemicals	37,467			37,467
Laboratory costs	27,839			27,839
Sewer inspection costs	8,405			8,405
Reconnection costs	3,915			3,915
TCEQ assessment	3,132			3,132
Other	2,543			2,543
	474,254	0	0	474,254
Security service	67,206	0	0	67,206
Garbage disposal	271,674	0	0	271,674
Administrative expenditures:				
Director's fees	16,650			16,650
Office supplies and postage	18,643			18,643
Insurance	14,851	50		14,901
Permit fees	9,485			9,485
Other	25,716	10,975	94	36,785
	85,345	11,025	94	96,464

HARRIS COUNTY UTILITY DISTRICT NO. 16

EXPENDITURES (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$ 10,947	$	$ 4,074,798	$ 4,085,745
Tap connection costs	64,606			64,606
	75,553	0	4,074,798	4,150,351
DEBT SERVICE				
Principal retirement	0	530,000	0	530,000
Bond issuance expenditures	0	0	517,412	517,412
Interest and fees:				
Interest		773,538		773,538
Paying agent fees		4,500		4,500
	0	778,038	0	778,038
TOTAL EXPENDITURES	$ 1,696,117	$ 1,370,888	$ 4,593,438	$ 7,660,443

See accompanying independent auditor’s report.

HARRIS COUNTY UTILITY DISTRICT NO. 16

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 1,407,174	$ 1,590,088	$ 7,277	$ 3,004,539
Maintenance tax receipts		672,377		672,377
Transfer of maintenance taxes	686,348			686,348
Increase in customer and builder deposits	10,365			10,365
Proceeds from sale of bonds			5,917,000	5,917,000
Collection of receivable		11,651		11,651
Overpayments from taxpayers		88,494		88,494
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	2,103,887	2,362,610	5,924,277	10,390,774
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,637,098	61,277	1,272	1,699,647
Capital outlay	75,553		4,071,348	4,146,901
Debt service		1,308,038	517,412	1,825,450
Transfer of maintenance taxes		686,348		686,348
Refund of taxpayer overpayments		32,146		32,146
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	1,712,651	2,087,809	4,590,032	8,390,492
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	391,236	274,801	1,334,245	2,000,282
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	1,867,112	1,208,507	5,680	3,081,299
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 2,258,348	$ 1,483,308	$ 1,339,925	$ 5,081,581

HARRIS COUNTY UTILITY DISTRICT NO. 16

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2017

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
Certificates of Deposit				
No. 1002395861	1.00%	8/18/18	$ 100,000	$ 247
No. 7983	0.50%	10/04/17	100,000	404
No. 66000390	0.35%	11/03/17	150,000	381
No. 6722535357	0.51%	1/03/18	100,000	328
No. 2196	1.10%	10/18/18	200,000	157
No. 1892	1.00%	9/15/18	200,000	323
No. 9009002242	0.70%	6/15/18	100,000	264
No. 4934	0.90%	4/17/18	100,000	409
No. 313908	0.40%	11/22/17	150,000	455
No. 14080	0.40%	2/11/18	100,000	215
No. 5078	0.51%	3/20/18	100,000	274
No. 0176	0.83%	5/18/18	100,000	377
No. 6000021771	0.35%	12/04/17	100,000	254
No. 8070	0.65%	7/15/18	100,000	198
			$ 1,700,000	$ 4,286
Texas CLASS				
No. TX-01-0405-0001	Market	On demand	$ 428,566	$ 0
DEBT SERVICE FUND				
Certificates of Deposit				
No. 1002991809	0.80%	2/17/18	$ 240,000	$ 221
No. 66000517	1.10%	2/14/18	240,000	318
No. 9009004067	0.95%	2/14/18	240,000	269
No. 3216000224	0.90%	2/18/18	240,000	236
			$ 960,000	$ 1,044
Texas CLASS				
No. TX-01-0405-0002	Market	On demand	$ 358,672	$ 0
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-0405-0006	Market	On demand	5,424	0
No. TX-01-0405-0007	Market	On demand	1,334,380	0
			$ 1,339,804	$ 0
Total – All Funds			$ 4,787,042	$ 5,330

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 16

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 5,721	$ 13,947
Additions and corrections to prior year taxes	(7,029)	(18,725)
Adjusted receivable, beginning of year	(1,308)	(4,778)
2016 ADJUSTED TAX ROLL	690,122	1,587,282
Total to be accounted for	688,814	1,582,504
Tax collections: Current tax year	(676,099)	(1,555,029)
Prior tax years	3,722	10,040
RECEIVABLE, END OF YEAR	$ 16,437	$ 37,515
RECEIVABLE, BY TAX YEAR		
2009	$ 44	$ 85
2010	235	471
2011	577	1,153
2012	592	1,185
2013	384	768
2014	271	770
2015	311	830
2016	14,023	32,253
RECEIVABLE, END OF YEAR	$ 16,437	$ 37,515

HARRIS COUNTY UTILITY DISTRICT NO. 16

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2016	2015	2014	2013
Land	$ 54,135,720	$ 49,782,001	$ 43,254,176	$ 36,770,927
Improvements	170,759,521	129,337,853	97,187,773	68,981,478
Personal property	14,190,756	5,549,439	2,230,505	2,513,073
Less exemptions	(9,041,833)	(8,443,425)	(3,716,246)	(3,637,966)
TOTAL PROPERTY VALUATIONS	$ 230,044,164	$ 176,225,868	$ 138,956,208	$ 104,627,512
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.69000	$ 0.80000	$ 0.88000	$ 1.00000
Maintenance tax rates*	0.30000	0.30000	0.31000	0.50000
TOTAL TAX RATES PER $100 VALUATION	$ 0.99000	$ 1.10000	$ 1.19000	$ 1.50000
TAX ROLLS	$ 2,277,404	$ 1,938,324	$ 1,653,181	$ 1,569,176
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	98.0 %	99.9 %	99.9 %	99.9 %

*Maximum tax rate approved by voters on April 7, 1984: $0.50

HARRIS COUNTY UTILITY DISTRICT NO. 16

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

SEPTEMBER 30, 2017

	Series 2011		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2018	$ 25,000	$ 146,369	$ 171,369
2019	25,000	145,319	170,319
2020	25,000	144,219	169,219
2021	25,000	143,069	168,069
2022	25,000	141,895	166,895
2023	25,000	140,694	165,694
2024	50,000	139,468	189,468
2025	50,000	136,968	186,968
2026	50,000	134,468	184,468
2027	50,000	131,968	181,968
2028	50,000	129,406	179,406
2029	50,000	126,844	176,844
2030	50,000	124,282	174,282
2031	50,000	121,718	171,718
2032	50,000	119,156	169,156
2033	50,000	116,594	166,594
2034	50,000	114,032	164,032
2035	675,000	111,468	786,468
2036	725,000	76,876	801,876
2037	775,000	39,718	814,718
TOTALS	$ 2,875,000	$ 2,484,531	$ 5,359,531

See accompanying independent auditor’s report.

HARRIS COUNTY UTILITY DISTRICT NO. 16

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

SEPTEMBER 30, 2017

	Series 2014		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2018	$ 425,000	$ 220,413	$ 645,413
2019	410,000	211,912	621,912
2020	455,000	201,662	656,662
2021	470,000	190,288	660,288
2022	490,000	176,187	666,187
2023	505,000	161,488	666,488
2024	530,000	145,075	675,075
2025	550,000	126,525	676,525
2026	220,000	107,275	327,275
2027	235,000	98,475	333,475
2028	240,000	89,075	329,075
2029	260,000	79,475	339,475
2030	265,000	69,075	334,075
2031	295,000	57,150	352,150
2032	305,000	43,875	348,875
2033	325,000	30,150	355,150
2034	345,000	15,525	360,525
TOTALS	$ 6,325,000	$ 2,023,625	$ 8,348,625

HARRIS COUNTY UTILITY DISTRICT NO. 16

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

SEPTEMBER 30, 2017

	Series 2015 Refunding		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2018	$ 65,000	$ 210,750	$ 275,750
2019	65,000	209,450	274,450
2020	65,000	208,150	273,150
2021	60,000	206,850	266,850
2022	60,000	205,500	265,500
2023	60,000	204,000	264,000
2024	60,000	201,450	261,450
2025	55,000	198,900	253,900
2026	410,000	196,563	606,563
2027	430,000	179,138	609,138
2028	450,000	160,862	610,862
2029	470,000	141,737	611,737
2030	500,000	121,762	621,762
2031	520,000	100,513	620,513
2032	570,000	78,412	648,412
2033	625,000	54,188	679,188
2034	650,000	27,625	677,625
TOTALS	$ 5,115,000	$ 2,705,850	$ 7,820,850

HARRIS COUNTY UTILITY DISTRICT NO. 16

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

SEPTEMBER 30, 2017

	Series 2015		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2018	$ 25,000	$ 182,406	$ 207,406
2019	25,000	181,156	206,156
2020	25,000	179,906	204,906
2021	25,000	178,656	203,656
2022	25,000	177,406	202,406
2023	25,000	176,156	201,156
2024	25,000	174,906	199,906
2025	25,000	173,656	198,656
2026	25,000	172,406	197,406
2027	25,000	171,156	196,156
2028	25,000	169,906	194,906
2029	25,000	169,000	194,000
2030	25,000	168,094	193,094
2031	25,000	167,188	192,188
2032	25,000	166,282	191,282
2033	25,000	165,376	190,376
2034	25,000	164,438	189,438
2035	25,000	163,500	188,500
2036	25,000	162,562	187,562
2037	25,000	161,626	186,626
2038	525,000	160,688	685,688
2039	550,000	141,000	691,000
2040	675,000	119,000	794,000
2041	750,000	92,000	842,000
2042	750,000	62,000	812,000
2043	800,000	32,000	832,000
TOTALS	$ 4,550,000	$ 4,032,470	$ 8,582,470

HARRIS COUNTY UTILITY DISTRICT NO. 16

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

SEPTEMBER 30, 2017

	Series 2017		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2018	$	$ 242,870	$ 242,870
2019	25,000	224,188	249,188
2020	25,000	222,750	247,750
2021	25,000	221,313	246,313
2022	25,000	219,875	244,875
2023	25,000	218,438	243,438
2024	25,000	217,000	242,000
2025	25,000	215,563	240,563
2026	25,000	214,125	239,125
2027	50,000	212,687	262,687
2028	50,000	209,812	259,812
2029	50,000	206,938	256,938
2030	50,000	204,063	254,063
2031	50,000	201,188	251,188
2032	50,000	198,312	248,312
2033	50,000	196,687	246,687
2034	50,000	195,062	245,062
2035	50,000	193,438	243,438
2036	50,000	191,812	241,812
2037	50,000	190,187	240,187
2038	350,000	188,562	538,562
2039	375,000	177,188	552,188
2040	275,000	164,531	439,531
2041	275,000	155,250	430,250
2042	275,000	145,625	420,625
2043	275,000	136,000	411,000
2044	1,125,000	126,375	1,251,375
2045	1,175,000	87,000	1,262,000
2046	1,225,000	44,406	1,269,406
TOTALS	$ 6,100,000	$ 5,421,245	$ 11,521,245

See accompanying independent auditor’s report.

HARRIS COUNTY UTILITY DISTRICT NO. 16

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

SEPTEMBER 30, 2017

	Annual Requirements for All Series		
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total
2018	$ 540,000	$ 1,002,808	$ 1,542,808
2019	550,000	972,025	1,522,025
2020	595,000	956,687	1,551,687
2021	605,000	940,176	1,545,176
2022	625,000	920,863	1,545,863
2023	640,000	900,776	1,540,776
2024	690,000	877,899	1,567,899
2025	705,000	851,612	1,556,612
2026	730,000	824,837	1,554,837
2027	790,000	793,424	1,583,424
2028	815,000	759,061	1,574,061
2029	855,000	723,994	1,578,994
2030	890,000	687,276	1,577,276
2031	940,000	647,757	1,587,757
2032	1,000,000	606,037	1,606,037
2033	1,075,000	562,995	1,637,995
2034	1,120,000	516,682	1,636,682
2035	750,000	468,406	1,218,406
2036	800,000	431,250	1,231,250
2037	850,000	391,531	1,241,531
2038	875,000	349,250	1,224,250
2039	925,000	318,188	1,243,188
2040	950,000	283,531	1,233,531
2041	1,025,000	247,250	1,272,250
2042	1,025,000	207,625	1,232,625
2043	1,075,000	168,000	1,243,000
2044	1,125,000	126,375	1,251,375
2045	1,175,000	87,000	1,262,000
2046	1,225,000	44,406	1,269,406
TOTALS	$ 24,965,000	$ 16,667,721	$ 41,632,721

HARRIS COUNTY UTILITY DISTRICT NO. 16

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	(1)	(2)	(3)
Bond Series:	2009	2011	2014
Interest Rate:	Not Applicable	4.20% to 5.125%	2.00% to 4.50%
Dates Interest Payable:	Not Applicable	March 1, September 1	March 1, September 1
Maturity Dates:	Not Applicable	September 1, 2018/2037	September 1, 2018/2034
Bonds Outstanding at Beginning of Current Year	$ 50,000	$ 2,900,000	$ 6,735,000
Less Retirements	(50,000)	(25,000)	(410,000)
Bonds Outstanding at End of Current Year	$ 0	$ 2,875,000	$ 6,325,000
Current Year Interest Paid:	$ 2,750	$ 147,368	$ 228,614

Bond Descriptions and Original Amount of Issue

(1) Harris County Utility District No. 16 Unlimited Tax Bonds, Series 2009 ($1,330,000)

(2) Harris County Utility District No. 16 Unlimited Tax Bonds, Series 2011 ($3,000,000)

(3) Harris County Utility District No. 16 Unlimited Tax Refunding Bonds, Series 2014 ($7,215,000)

Paying Agent/Registrar

(1) (2) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 37,000,000.00	$ 0	$ 33,500,000.00
Amount Issued:	29,295,000.00		778,370.11
Remaining to be Issued:	7,705,000.00		32,721,629.89

HARRIS COUNTY UTILITY DISTRICT NO. 16

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	(4)	(5)	(6)	Totals
Bond Series:	2015R	2015	2017	
Interest Rate:	2.00% to 4.25%	3.625% to 5.00%	3.25% to 5.75%	
Dates Interest Payable:	March 1, September 1	March 1, September 1	March 1, September 1	
Maturity Dates:	September 1, 2018/2034	September 1, 2018/2043	September 1, 2019/2046	
Bonds Outstanding at Beginning of Current Year	$ 5,135,000	$ 4,575,000	$	$ 15,315,000
Add Bonds Sold			6,100,000	4,575,000
Less Retirements	(20,000)	(25,000)		(495,000)
Bonds Outstanding at End of Current Year	$ 5,115,000	$ 4,550,000	$ 6,100,000	$ 19,395,000
Current Year Interest Paid:	$ 211,150	$ 183,656	$ 0	$ 773,538

Bond Descriptions and Original Amount of Issue

(4) Harris County Utility District No. 16 Unlimited Tax Refunding Bonds, Series 2015 ($5,150,000)

(5) Harris County Utility District No. 16 Unlimited Tax Bonds, Series 2015 ($4,575,000)

(6) Harris County Utility District No. 16 Unlimited Tax Bonds, Series 2017 ($6,100,000)

Paying Agent/Registrar

(4) (5) (6) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Net Debt Service Fund deposits balances as of September 30, 2017:	$1,425,341
Average annual debt service payment for remaining term of all debt:	1,435,611

HARRIS COUNTY UTILITY DISTRICT NO. 16

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	$ 672,377	$ 530,755	$ 437,334	$ 529,618	$ 485,725	31.3 %	25.1 %	22.5 %	30.1 %	30.1 %
Water service	484,813	491,109	428,473	387,928	366,810	22.7	23.2	22.0	22.1	22.7
Sewer service	431,384	428,068	382,294	318,690	293,942	20.2	20.2	19.7	18.1	18.2
Surface water fees	343,714	353,579	243,177	193,534	168,689	16.1	16.7	12.5	11.0	10.4
Tap connection and inspection fees	84,756	185,211	344,755	180,755	158,965	4.0	8.8	17.7	10.3	9.8
Interest earnings, penalty and other revenues	121,497	126,419	108,673	147,551	142,015	5.7	6.0	5.6	8.4	8.8
TOTAL REVENUES	2,138,541	2,115,141	1,944,706	1,758,076	1,616,146	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	127,265	118,439	124,146	117,808	97,712	6.0	5.6	6.4	6.7	6.0
Contracted services	144,567	146,961	134,605	113,481	113,936	6.8	6.9	6.9	6.5	7.0
Utilities	87,645	123,006	120,734	103,978	110,001	4.1	5.8	6.2	5.9	6.8
Ground water pumpage fees	362,608	355,809	300,099	132,719	173,902	17.0	16.8	15.4	7.5	10.8
Repairs, maintenance and other operating expenditures	474,254	516,533	512,385	439,641	364,091	22.1	24.5	26.4	24.9	22.5
Security service	67,206	67,150	65,821	63,952	63,952	3.1	3.2	3.4	3.6	4.0
Garbage disposal	271,674	266,946	224,054	198,641	186,089	12.7	12.6	11.5	11.3	11.5
Administrative expenditures	85,345	94,611	89,664	71,791	59,371	4.0	4.5	4.6	4.1	3.7
Capital outlay	75,553	112,634	147,917	339,820	97,012	3.5	5.3	7.6	9.5	6.0
TOTAL EXPENDITURES	1,696,117	1,802,089	1,719,425	1,581,831	1,266,066	79.3	85.2	88.4	80.0	78.3
EXCESS REVENUES (EXPENDITURES)	$ 442,424	$ 313,052	$ 225,281	$ 176,245	$ 350,080	20.7 %	14.8 %	11.6 %	20.0 %	21.7 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,797	1,770	1,681	1,400	1,249					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,774	1,749	1,664	1,387	1,237					

See accompanying independent auditor's report.

HARRIS COUNTY UTILITY DISTRICT NO. 16

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES										
Property taxes	$ 1,544,989	$ 1,417,089	$ 1,235,094	$ 1,059,234	$ 970,446	97.2 %	97.6 %	95.7 %	96.3 %	97.4 %
Penalty and interest	22,152	18,709	34,535	17,883	20,939	1.4	1.3	2.7	1.6	2.1
Accrued interest on bonds received at date of sale	9,341	10,713	17,033	18,528	0	0.6	0.7	1.3	1.7	0.0
Interest on deposits and investments	13,162	5,312	3,729	4,112	4,810	0.8	0.4	0.3	0.4	0.5
TOTAL REVENUES	1,589,644	1,451,823	1,290,391	1,099,757	996,195	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	5,780	6,483	5,023	7,048	6,809	0.4	0.4	0.4	0.6	0.7
Contracted services	46,045	41,436	42,802	32,896	32,120	2.9	2.9	3.3	3.0	3.2
Other expenditures	11,025	11,947	7,092	10,843	11,070	0.7	0.8	0.5	1.0	1.1
Debt service:										
Principal retirement	530,000	495,000	470,000	380,000	365,000	33.3	34.2	36.5	34.6	36.6
Refunding contribution	0	0	97,392	166,818	0	0.0	0.0	7.5	15.2	0.0
Interest and fees	778,038	809,312	576,273	611,426	796,778	48.9	55.7	44.7	55.6	80.0
TOTAL EXPENDITURES	1,370,888	1,364,178	1,198,582	1,209,031	1,211,777	86.2	94.0	92.9	110.0	121.6
EXCESS REVENUES (EXPENDITURES)	$ 218,756	$ 87,645	$ 91,809	$ (109,274)	$ (215,582)	13.8 %	6.0 %	7.1 %	(10.0) %	(21.6) %

See accompanying independent auditor’s report.

HARRIS COUNTY UTILITY DISTRICT NO. 16

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2017

Complete District Mailing Address:	Harris County Utility District No. 16 c/o Marks Richardson PC 3700 Buffalo Speedway, Suite 830 Houston, Texas 77098
District Business Telephone No.:	713-942-9922

Submission date of the most recent District Registration Form: November 17, 2016

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

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Patricia Ann Tope c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 11/04/14- 11/06/18	$ 3,750	$ 3,339	President
Susan Wescott c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 11/04/14- 11/06/18	3,150	1,500	Vice President
Michele Z. Womack c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 11/08/16- 11/10/20	2,250	1,106	Secretary
Manny Mones c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 11/08/16- 11/10/20	3,750	3,853	Director
Marilyn Daniel c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 11/08/16- 11/10/20	3,750	2,139	Director

HARRIS COUNTY UTILITY DISTRICT NO. 16

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2017

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Marks Richardson PC 3700 Buffalo Speedway, Suite 830 Houston, Texas 77098	1/10/03	$ 67,384 204,874 Bonds	Attorney
Ted A. Cox, P.C. 3855 Mangum Road, Suite 100 Houston, Texas 77092	Prior to 10/01/00	5,780	Delinquent Tax Attorney
Municipal Accounts & Consulting, L.P. 1300 Post Oak Blvd., Suite 1600 Houston, Texas 77056	4/11/03	30,934 5,100 Bonds	Bookkeeper
Mark M. Burton/ Ghia Lewis 1300 Post Oak Blvd., Suite 1600 Houston, Texas 77056	2/13/04 7/10/09	0	Investment Officer
Inframark, LLC 2002 Grand Parkway North, Suite 100 Katy, Texas 77449	4/24/84	616,301	Operator
Provident Engineers, Inc. 9800 Centre Parkway, Suite 120 Houston, Texas 77036	6/25/98	104,173	Engineer
B & A Municipal Tax Service, LLC 13333 Northwest Freeway, Suite 505 Houston, Texas 77040	9/09/11	34,701 1,200 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	17,167	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	4/11/03	158,400 Bonds	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 10/01/91	10,600 4,000 Bonds	Independent Auditor

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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