OFFICIAL STATEMENT DATED FEBRUARY 21, 2018

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

$3,705,000

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 161

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

UNLIMITED TAX ROAD BONDS
SERIES 2018

The bonds described above (the "Bonds") are obligations solely of Harris County Water Control and Improvement District No. 161 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated: March 1, 2018 Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Registrar/Paying Agent" or "Paying Agent") upon surrender of the Bonds for payment. Interest on the Bonds accrues from March 1, 2018, and is payable each September1 and March 1, commencing September 1, 2018, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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 "BOOK-ENTRY-ONLY-SYSTEM."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due September 1	CUSIP (b)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	Due September 1		CUSIP (b)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)
2021	41453T CC4	$100,000	5.500 %	2.100 %	2026	(a)	41453T CH3	$100,000	3.000 %	2.800 %
2022	41453T CD2	100,000	5.500	2.250	2027	(a)	41453T CJ9	100,000	3.000	2.900
2023	41453T CE0	100,000	5.500	2.400	2028	(a)	41453T CK6	100,000	3.000	3.050
2024	41453T CF7	100,000	5.500	2.550	2029	(a)	41453T CL4	100,000	3.000	3.150
2025	41453T CG5	100,000	5.500	2.700	2030	(a)	41453T CM2	100,000	3.000	3.250

$200,000 Term Bonds due September 1, 2032 (a), 41453T CP5 (b), 3.250% Interest Rate, 3.400% Initial Reoffering Yield (c)
$200,000 Term Bonds due September 1, 2034 (a), 41453T CR1 (b), 3.250% Interest Rate, 3.500% Initial Reoffering Yield (c)
$200,000 Term Bonds due September 1, 2036 (a), 41453T CT7 (b), 3.375% Interest Rate, 3.600% Initial Reoffering Yield (c)
$200,000 Term Bonds due September 1, 2038 (a), 41453T CV2 (b), 3.500% Interest Rate, 3.700% Initial Reoffering Yield (c)
$200,000 Term Bonds due September 1, 2040 (a), 41453T CX8 (b), 3.625% Interest Rate, 3.750% Initial Reoffering Yield (c)
$500,000 Term Bonds due September 1, 2043 (a), 41453T DA7 (b), 3.625% Interest Rate, 3.800% Initial Reoffering Yield (c)
$1,205,000 Term Bonds due September 1, 2045 (a), 41453T DC3 (b), 3.750% Interest Rate, 3.830% Initial Reoffering Yield (c)

(a) Bonds maturing on or after September 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2025, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions."

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about March 21, 2018 in Houston, Texas.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General... The Houston area, including Harris County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 9 miles from the Texas Gulf Coast. Accordingly, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

Impact on District... According to LJA Engineering, Inc. (the "Engineer"), the District's water and wastewater system sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Engineer and the Developer, no homes or commercial businesses within the District experienced structural flooding or other material damage.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes or commercial improvements within the District. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."

THE DISTRICT

Description... Harris County Water Control and Improvement District No. 161 (the "District") is a political subdivision of the State of Texas, created by a special act of the Texas Legislature pursuant to Texas Special District Local Laws Code, Chapter 9047, Chapter 624, 2013 Regular Session, dated June 14, 2013. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code and Article XVI, Section 59 of the Texas Constitution. The District consists of approximately 412 acres of land. See "THE DISTRICT."

Location... The District is located approximately 18 miles southeast of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the city limits of the City of Houston (the "City") and within the boundaries of the Clear Creek Independent School District. The District is located southeast of Beltway 8 and northeast of Interstate 45. The District is bordered by Clear Lake City Boulevard, and El Dorado Boulevard transverses the District. See "THE DISTRICT—Description and Location."

The Developer... The developer of the Reserve at Clear Lake is Trendmaker Clear Lake LLC, a Texas limited liability company ("Trendmaker") whose sole member is Trendmaker Homes, Inc. Trendmaker Homes, Inc. is a part of the Tri-Pointe Group, Inc., which is a publicly traded company on the NYSE. Trendmaker is referred to as the "Developer." See "THE DEVELOPER."

The developer of Clear Lake Marketplace Sections 1 and 2 is Clear Dorado Land Associates, L.P., a Texas limited liability partnership ("Clear Dorado").

Trendmaker and Clear Dorado are collectively referred to herein as the "Developers."

Status of Development... Development in the District currently consists of the Reserve at Clear Lake Sections One through Eleven, totaling 540 completed single-family residential lots on approximately 162 acres. As of January 1, 2018, there were 234 homes completed and occupied in the District, 83 homes under construction and 223 developed lots available for home construction. Trendmaker Homes, Village Builders and CalAtlantic Homes are building homes that range in sales price from approximately $330,000 to $650,000.
See "THE DISTRICT – Homebuilding."

Paving to serve Reserve at Clear Lake Section Twelve (52 lots on approximately 19 acres) is currently under construction and lots are expected to be available for home construction by March, 2018. The construction of Water, Sewer and Drainage to serve Clear Lake Section Thirteen (53 lots on approximately 17 acres) is scheduled to commence January 22, 2018 with the expected lots to be available for home construction in May 2018.

Clear Lake Marketplace Section 1 (consisting of approximately 12 acres) has been developed for commercial and retail business. An approximately 102,000 square foot HEB Grocery Store ("HEB") has been constructed on approximately 11 acres of land within the Clear Lake Marketplace Section 1 and opened in February, 2016. An additional 104,000 square feet of commercial space has been constructed as a part of Clear Lake Marketplace Section 1 which includes a PetSmart. Clear Lake Marketplace Section 2 has been constructed on approximately 6 acres of land and includes commercial and retail businesses totaling approximately 60,000 square feet. Businesses that are complete and open in Sections 1 and 2 include: MOD Pizza, Subway, Verizon, Smoothie King, Sports Clips, Great Clips, Nails of America, Sit Salon, Ideal Dental and Mama Fru's. Businesses under construction include T.J. Maxx and Chase Bank.

There are 61 acres in the District which remain to be developed and approximately 148 acres in the District that are not developable, including major streets, pipeline easements, plant sites, detention, drill sites, recreational sites, a fire station site, lift stations and open space. See "THE DISTRICT—Land Use—Status of Development."

Facilities... Pursuant to the Exclusion Contract between the District and the Clear Lake Water Authority (the "CLCWA"), the District receives water and sanitary sewer services from the CLCWA. Pursuant to such Contract, rates charged by the CLCWA to District customers will be in an amount not to exceed one and a half times the cost charged to customers of the CLCWA. The CLCWA also charges District customers a $10 per month operations fee. The District is required to pay a pro-rata share of the CLCWA's debt service requirements and to levy a contract maintenance tax at the rate of $0.05 per $100 assessed valuation on all property in the District which is paid to the CLCWA. See "THE DISTRICT – Exclusion Contract with Clear Lake City Water Authority."

Payment Record... The District has previously issued two series of unlimited tax bonds for purchasing and constructing water, wastewater and/or storm drainage facilities, of which $11,260,000 principal amount of such bonds is currently outstanding (the "Outstanding Bonds"). The District has timely paid its debt service on the Outstanding Bonds. The Bonds are the District's first issuance of unlimited tax bonds for roads and related improvements. The District will capitalize twelve (12) months of interest. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

THE BONDS

Description... $3,705,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds") are being issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in the years 2021 through 2030, both inclusive, and as term bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2043 and 2045 (the "Term Bonds") in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from March 1, 2018, and is payable September 1, 2018, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY-SYSTEM."

Redemption...	Bonds maturing on or after September 1, 2026 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2025, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
Use of Proceeds...	Proceeds of the Bonds will be used to finance the Construction Costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds, pay interest on funds advanced by the Developers on behalf of the District, and pay certain other costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM."
Authority for Issuance...	The Bonds are the first series of bonds issued out of an aggregate of $100,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing roads and related improvements. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Texas Special District Local Laws Code Chapter 9047, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."
Source of Payment...	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
Municipal Bond Rating and Municipal Bond Insurance…	It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). An explanation of their rating may be obtained from S&P. The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
Qualified Tax-Exempt Obligations...	The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS— Qualified Tax-Exempt Obligations."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS," and "TAX MATTERS."
Financial Advisor...	Hilltop Securities, Inc., Houston, Texas.
Disclosure Counsel...	Norton Rose Fulbright US LLP, Houston, Texas.
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special Investment Considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2017 Certified Taxable Assessed Valuation	$114,614,386 (a)
Estimated Taxable Assessed Valuation as of December 1, 2017	$194,533,760 (b)
Gross Direct Debt Outstanding (includes the Bonds)	$14,965,000
Estimated Overlapping Debt	$ 7,114,466 (c)
Gross Direct Debt and Estimated Overlapping Debt	$22,079,466
Ratios of Gross Direct Debt to:	
2017 Certified Taxable Assessed Valuation	13.06%
Estimated Taxable Assessed Valuation as of December 1, 2017	7.69%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2017 Certified Taxable Assessed Valuation	19.26%
Estimated Taxable Assessed Valuation as of December 1, 2017	11.35%
Debt Service Funds Available:	
Water, Sewer and Drainage Debt Service Funds	$378,334 (d)
Road Capitalized Interest (Twelve Months)	$139,813 (e)
Total Funds Available for Debt Service	$518,147 (d)
Operating Funds Available as of December 18, 2017	$241,241
Capital Projects Funds Available as of December 18, 2017	$346,070
2017 Debt Service Rate	$0.55
2017 Maintenance Tax Rate	$0.25
2017 Contract Maintenance Tax Rate	$0.05 (f)
2017 Total Tax Rate	$0.85 (g)
Average Annual Debt Service Requirement (2018-2045)	$838,178 (h)
Maximum Annual Debt Service Requirement (2021)	$965,756 (h)
Tax Rates Required to Pay Average Annual Debt Service (2018-2045) at a 95% Collection Rate	
Based upon 2017 Certified Taxable Assessed Valuation	$ 0.77
Based upon Estimated Taxable Assessed Valuation as of December 1, 2017	$ 0.46
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate	
Based upon 2017 Certified Taxable Assessed Valuation	$ 0.89
Based upon Estimated Taxable Assessed Valuation as of December 1, 2017	$ 0.53
Status of Development as of January 1, 2018 (i):	
Homes Completed	234
Homes Under Construction	83
Lots Available for Home Construction	223
Lots Under Construction	52
Estimated Population	819 (j)

a) As certified by the Harris County Appraisal District (the "Appraisal District").

b) As estimated by the Appraisal District as of December 1, 2017 for information purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. The certified 2017 taxable assessed valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2017 to December 1, 2017. The ultimate Assessed Valuation of any improvements added from January 1, 2017 through December 31, 2017 will be placed on the District's 2018 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof. See "TAXING PROCEDURES."

c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" as of December 31, 2017.

d) Funds in the Road Debt Service Fund are available to pay debt service on the District's bonds issued for road facilities (including the Bonds) and are not available to pay debt service on the District's bonds for water, sewer, and drainage facilities. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Road Debt Service Fund. The fund balance in the Water, Sewer and Drainage Fund includes capitalized interest from proceeds of the Outstanding Bonds and shall be deposited in the Road Debt Service Fund. The District will capitalize twelve (12) months of interest on the Bonds from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

e) Represents twelve (12) months of capitalized interest from Bond proceeds to be deposited into the Road Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

f) The District levies a $0.05 contract maintenance tax rate that is paid to the Clear Lake City Water Authority for operation and maintenance costs. See 'THE DISTRICT—Exclusion Contract with Clear Lake City Water Authority."

g) Property owners in the District also pay taxes to the City of Houston. The City of Houston's 2017 tax rate is $0.58421.

h) See "DEBT SERVICE REQUIREMENTS."

i) See "THE DISTRICT—Land Use—Status of Development."

j) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

$3,705,000

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 161

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

UNLIMITED TAX ROAD BONDS
SERIES 2018

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Water Control and Improvement District No. 161 (the "District") of its $3,705,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Trendmaker Clear Lake LLC, Clear Dorado Land Associates, L.P. and development activity in the District. Trendmaker Clear Lake LLC ("Trendmaker") and Clear Dorado Land Associates L.P. ("Clear Dorado") are collectively referred to herein as the "Developers." All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated and accrue interest from March 1, 2018, with interest payable each September 1 and March 1, beginning September 1, 2018 (the "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and the Outstanding Bonds and to no other purpose.

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

Funds

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

The District also maintains a Debt Service Fund for payment of bonds issued to purchase and construct water, wastewater and storm drainage facilities (the "WS&D Debt Service Fund") that is not pledged to the Bonds. Funds in the WS&D Debt Service Fund are not available to pay principal of and interest on the Bonds.

Accrued interest on the Bonds and twelve (12) months of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs, and paying interest on such reimbursement and for paying the costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM".

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Mandatory Redemption: The Bonds due on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2043 and 2045 (the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reduction as described below, at a redemption price of par plus accrued interest to the date of redemption:

$200,000 Bonds Due September 1, 2032

Mandatory Redemption Date	Principal Amount
2031	$ 100,000
2032 (maturity)	100,000

$200,000 Bonds Due September 1, 2034

Mandatory Redemption Date	Principal Amount
2033	$ 100,000
2034 (maturity)	100,000

$200,000 Bonds Due September 1, 2036

Mandatory Redemption Date	Principal Amount
2035	$ 100,000
2036 (maturity)	100,000

$200,000 Bonds Due September 1, 2038

Mandatory Redemption Date	Principal Amount
2037	$ 100,000
2038 (maturity)	100,000

$200,000 Bonds Due September 1, 2040

Mandatory Redemption Date	Principal Amount
2039	$ 100,000
2040 (maturity)	100,000

$500,000 Bonds Due September 1, 2043

Mandatory Redemption Date	Principal Amount
2041	$ 100,000
2042	200,000
2043 (maturity)	200,000

$1,205,000 Bonds Due September 1, 2045

Mandatory Redemption Date	Principal Amount
2044	$ 600,000
2045 (maturity)	605,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the 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 that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on November 4, 2014, voters of the District authorized the issuance of $100,500,000 principal amount of unlimited tax bonds for purchasing and constructing roads and related improvements and refunding of such bonds, and the Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Texas Special District Local Laws Code, Chapter 9047, an election held within the District and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferable. See "BOOK-ENTRY-ONLY SYSTEM."

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bonds at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. The District’s voters have authorized the issuance of $225,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities and refunding of such bonds, $22,300,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities and refunding of such bonds, and $100,500,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing roads and related improvements and refunding of such bonds. After issuance of the Bonds, $96,795,000 principal amount of unlimited tax bonds for roads and related improvements and refunding of such bonds will remain authorized but unissued, $213,740,000 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities and refunding of such bonds will remain authorized but unissued and all of the authorized bonds for park and recreational facilities and refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. After the payment from the sale of the Bonds, the Developers will have expended approximately $14,950,000 (as of February, 2018) for design, construction, engineering and acquisition of the District water, wastewater and storm drainage facilities, approximately $10,300,000 for parks and recreational facilities and approximately $3,800,000 for roads and related improvements for which they have not been reimbursed. See “INVESTMENT CONSIDERATIONS—Future Debt.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuance 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 Board has not considered calling an election to authorize firefighting activities at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District’s consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City must assume the District’s assets and obligations (including the Bonds) and abolish the District. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

Consolidation

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

Remedies in Event of Default

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

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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

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

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

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

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

The 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 neither the District nor the Underwriter takes any responsibility for the accuracy thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA Engineering, Inc., the District's engineer (the "Engineer"). A portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Hilltop Securities, Inc. (the "Financial Advisor"). "). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.
The estimated use and distribution of Bond proceeds is shown below.

I.	**<u>CONSTRUCTION COSTS</u>**	
	• Reserve at Clear Lake Section 1 - Paving	$104,938
	• Reserve at Clear Lake Section 2 - Paving	792,963
	• Reserve at Clear Lake Section 3 - Paving	502,382
	• Reserve at Clear Lake Section 4 - Paving	450,603
	• Reserve at Clear Lake Section 6 - Paving	420,568
	• Reserve at Clear Lake - Engineering	357,792
	• Reserve at Clear Lake – Construction Testing	39,282
	• Reserve at Clear Lake – Storm Water Pollution Prevention	166,135
	Total Construction Costs	**$2,834,663**
II.	**<u>NON-CONSTRUCTION COSTS</u>**	
	• Legal Fees	$107,625
	• Financial Advisory Fees	72,338
	• Capitalized Interest (a)	139,813
	• Developer Interest	333,450
	• Bond Issuance Expenses	45,344
	• Underwriter's Discount	111,150
	• Bond Application Report	30,000
	• Attorney General Fee	3,705
	• Contingency (b)	26,912
	Total Non-Construction Costs	**$870,337**
	TOTAL BOND ISSUE REQUIREMENT	**$3,705,000**

(a) Twelve (12) months of interest.

(b) Represents surplus funds resulting from the sale of the Bonds at a lower interest rate than estimated and can be used for purposes allowed and approved by the TCEQ.

THE DISTRICT

General

The District is a water control and improvement district created by a special act of the Texas Legislature pursuant to Senate Bill 1841, Acts of the 83rd Legislature of Texas 2013 Regular Session, dated June 14, 2013. The District operates pursuant to Texas Special District Local Laws Code Chapter 9047, Chapters 49 and 51 of the Texas Water Code, Article XVI, Section 59 of the Texas Constitution and Article 717r, Vernon's Civil Statutes. The District consists of approximately 412 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the provision of parks and recreational facilities. The District is also empowered to construct thoroughfare, arterial and collector roads and improvements in aid thereof. (All of such District water, wastewater and drainage facilities are referred to herein as "District Facilities.") The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District, pursuant to the City's resolution consenting to the creation of the District (the "City's Consent Resolution"), is required to observe certain requirements of the City which (1) limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road, and fire-fighting facilities, (2) limit the net effective interest rate on such bonds and other terms of such bonds, (3) require approval by the City of District construction plans (except for park/recreational facilities), and (4) permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of facilities constructed by the District is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Exclusion Contract with Clear Lake City Water Authority

The District entered into an Exclusion Contract (the "Exclusion Contract") with the Clear Lake City Water Authority (the "CLCWA") dated December 1, 2014 pursuant to which the CLCWA provides water, sanitary sewer and drainage services to the District. The CLCWA charges District customers for water and sewer service at a rate which shall not exceed one and a half times the rates charged to customers of the CLCWA for similar services. District customers are also charged a $10 per month operations fee by the CLCWA.

The Exclusion Contract also requires the District to pay a pro-rata share of the CLCWA's debt service requirements (the "Allocable Debt") on the CLCWA's outstanding debt issued for water supply, sanitary sewer treatment, and drainage facilities to serve the CLCWA. The Allocable Debt is calculated by multiplying the total outstanding indebtedness of the CLCWA annually as of the date of the Exclusion Contract by .09782% and as specified in the Exclusion Contract is for the period 2018 to 2038 and the total remaining is $86,893.91.

The Exclusion Contract also requires the District to levy a contract maintenance tax in the amount of $0.05 per $100 assessed valuation to pay for operating and maintenance costs incurred by the CLCWA which the District is levying in a contract maintenance tax.

Description and Location

The District is located approximately 18 miles southeast of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the city limits of the City of Houston (the "City") and within the boundaries of the Clear Creek Independent School District. The District is located southeast of Beltway 8 and northeast of Interstate 45. The District is bordered by Clear Lake City Boulevard, and El Dorado Boulevard transverses the District. See "AERIAL LOCATION MAP."

Status of Development

Development in the District currently consists of the Reserve at Clear Lake Sections One through Eleven, totaling 540 completed single-family residential lots on approximately 162 acres. As of January 1, 2018, there were 234 homes completed and occupied in the District, 83 homes under construction and 223 developed lots available for home construction.

Paving to serve Reserve at Clear Lake Section Twelve (52 lots on approximately 19 acres) is currently under construction and expected to be available for home construction by March, 2018. The construction of Water, Sewer and Drainage to serve Clear Lake Section Thirteen (53 lots on approximately 17 acres) is scheduled to commence January 22, 2018 with the expected lots to be available for home construction in May 2018.

Homebuilding

Trendmaker Homes, Village Builders and CalAtlantic Homes are building homes in the Reserve at Clear Lake Sections Two through Five, and Eight through Eleven, that range in sales price from approximately $330,000 to $650,000.

Commercial Development

Clear Lake Marketplace Section 1 (consisting of approximately 12 acres) has been developed for commercial and retail business. An approximately 102,000 square foot HEB Grocery Store (HEB") has been constructed on approximately 11 acres of land within the Clear Lake Marketplace Section 1 and opened in February, 2016. An additional 29,000 square feet of retail space has been constructed as part of Clear Lake City Marketplace Section 1. Clear Lake Marketplace Section 2 has been constructed on approximately 6 acres of land and includes commercial and retail businesses totaling approximately 60,000 square feet. Businesses that are complete and open in Sections 1 and 2 include: MOD Pizza, Subway, Verizon, Smoothie King, Sports Clips, Great Clips, Nails of America, Sit Salon, Ideal Dental, and Mama Fru's. Businesses under construction include T.J. Maxx and Chase Bank.

Future Development

There are 61 acres in the District which remain to be developed and approximately 148 acres in the District that are not developable, including major streets, pipeline easements, plant sites, detention, drill sites, recreational sites, a fire station site, lift stations and open space.

The Engineer has stated that under current development plans, the remaining authorized but unissued bonds for water, wastewater and storm drainage facilities ($213,740,000), road facilities ($96,795,000) and constructing park and recreational facilities ($22,300,000) should be sufficient to finance the construction of facilities to complete the District's water, sewer and drainage system, roads, and recreational facilities for full development of the District.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a water control and improvement district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Neither of the Developers nor any of their affiliates, are obligated to pay principal of or interest on the Bonds. Furthermore, neither of the Developers has a binding commitment to the District to carry out any plan of development and the Developers may sell or otherwise dispose of their property within the District, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective Bond purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See "INVESTMENT CONSIDERATIONS."

Prospective Bond purchasers should note that any prior real estate experience discussed below of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS."

Trendmaker Clear Lake, LLC

The developer of the Reserve at Clear Lake is Trendmaker Clear Lake LLC ("Trendmaker"), a Texas limited liability company, whose sole member is Trendmaker Homes, Inc. Trendmaker Homes, Inc. is a part of the Tri-Pointe Group, Inc., which is a publicly traded company on the NYSE. Trendmaker initially financed its acquisition and development of the Reserve at Clear Lake through a land bank, but more recently has financed the development with cash.

Clear Dorado Land Associates, L.P.

Clear Dorado Land Associates, L.P., a Texas limited partnership whose general partner is Clear Dorado Land Associates GP, LLC ("Clear Dorado"), is developing approximately 40 acres of commercial property in the District as Clear Lake Marketplace Sections 1 and 2.

Economic Development Agreement

In addition to Trendmaker's and Clear Dorado's agreements with the District for reimbursement of water, sewer, drainage, recreation and road facilities constructed on behalf of the District, Trendmaker and Clear Dorado have also entered into separate Economic Development Agreements with the City, pursuant to which both Trendmaker and Clear Dorado will receive reimbursement for certain public improvements, as specified in each Economic Development Agreement, in exchange for the creation of ad valorem tax and sales tax revenue from the Reserve at Clear Lake and the Clear Lake Marketplace developments, respectively. The District is not a party to the Economic Development Agreements.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

Name	Title	Term Expires
Bob Mueller	President	May 2020
Heath Melton	Vice President	May 2018
Jeff Safe	Secretary	May 2020
Katy Walston	Assistant Secretary	May 2018
Tim Morrow	Assistant Vice President	May 2018

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Hilltop Securities, Inc. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds

Auditor: The District's financial statements for the year ended February 28, 2017, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's February 28, 2017 financial statements.

Engineer: The District's consulting engineer is LJA Engineering, Inc.

Bookkeeper: The District has contracted with F. Matuska, Inc. (the "Bookkeeper") for bookkeeping services.

Tax Appraisal: The Harris County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Thomas W. Lee of Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

ROAD FACILITIES

The District has road powers that allow the District to build and finance roads and related improvements within the District. Proceeds of the Bonds will be used to reimburse Trendmaker for costs expended previously on District roads and related improvements. The roads are maintained by the City of Houston. See “USE AND DISTRIBUTION OF BOND PROCEEDS,” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE SYSTEM

Water Supply: The District receives its water supply from Clear Lake City Water Authority (the “CLCWA”) pursuant to the Exclusion Contract with the CLCWA. See “THE DISTRICT –Exclusion Contract with Clear Lake City Water Authority.” The CLCWA obtains approximately ten percent of its potable water from eight existing water wells. These wells are used primarily to assist meeting peak water demands. The CLCWA wells are permitted by the Harris-Galveston Subsidence District with an aggregate permitted flow of 284.9 million gallons for calendar year 2018. The CLCWA joined with the City of Houston and other political entities to construct the Southeast Water Purification Plant (SEWPP). The CLCWA currently owns 20.45 million gallons per day (“MGD”) peak daily capacity and 32 MGD of peak hourly capacity in the SEWPP. Treated surface water is the prime source of potable water for the CLCWA, and thus, the District. The CLCWA has the right to purchase additional capacity in future plant expansions or unused capacity from other participants.

The CLCWA is able to receive water from the SEWPP at system pressure during periods of lower demand. During periods of high demand the CLCWA receives water and re-pumps it at a higher operating pressure. The CLCWA has two normally closed emergency water interconnects — one with the City of Nassau Bay and one with Johnson Space Center. Neither of the interconnects is within the District’s boundaries. In addition to the emergency water interconnects, the CLCWA has sufficient well capacity to supply its customers under water restrictions if there is a temporary interruption of service from the SEWPP.

The District's portion of the CLCWA's water supply is capable of serving 994 equivalent single family connections (“ESFCs”).

Wastewater Treatment: The District receives wastewater treatment from the CLCWA. The CLCWA currently owns 9.1 MGD of capacity in a 10.0 MGD Plant. Johnson Space Center owns the remaining 0.9 MGD. The CLCWA currently has a capacity of 30,333 equivalent single family connections (based on average daily flow of 300 gpd). The District's portion of the CLCWA's wastewater capacity is capable of serving 994 ESFCs.

Storm Water Drainage Facilities and Flood Plain

Stormwater is collected through curb and gutter streets to an underground system of lines that outfalls to various detention ponds, which outfall to Horsepen Bayou, which flows into Armand Bayou, which flows into the Gulf of Mexico.

No areas in the District are located in the official 100-year floodplain.

Subsidence and Conversion to Surface Water Supply

The CLCWA is within the Harris-Galveston Coastal Subsidence District (the “Subsidence District”) which regulates the withdrawal of groundwater within its jurisdiction. The CLCWA’s authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan, as amended (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 CLCWA’s groundwater withdrawals must comprise no more than 10% of the CLCWA’s total annual water demand. Beginning in January 2001, a disincentive fee was applied to any groundwater withdrawn that constitutes greater than 10% of the CLCWA’s total annual water demand. The CLCWA is in compliance with the 1999 Plan. The District is included in the CLCWA groundwater reduction plan.

Regulation

Construction and operation of the District facilities serving the District as they now exist or as they may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County and the City also exercise regulatory jurisdiction over the District Facilities.

According to the Engineer, the District's improvements that will be financed with proceeds of the Bonds, have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the City of Houston, where applicable.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2017 Certified Taxable Assessed Valuation	$114,614,386 (a)
Estimated Taxable Assessed Valuation as of December 1, 2017	$194,533,760 (b)
Gross Direct Debt Outstanding (includes the Bonds)	$14,965,000
Estimated Overlapping Debt	$7,114,466 (c)
Gross Direct Debt and Estimated Overlapping Debt	$22,079,466
Ratios of Gross Direct Debt to:	
2017 Certified Taxable Assessed Valuation	13.06%
Estimated Taxable Assessed Valuation as of December 1, 2017	7.69%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2017 Certified Taxable Assessed Valuation	19.26%
Estimated Taxable Assessed Valuation as of December 1, 2017	11.35%
Debt Service Funds Available:	
Water, Sewer and Drainage Debt Service Funds	$378,334 (d)
Road Capitalized interest (Twelve Months)	$139,813 (d) (e)
Total Funds Available for Debt Service	$518,147 (d)
Operating Funds Available as of December 18, 2017	$241,241
Capital Projects Funds Available as of December 18, 2017	$346,070

a) As certified by the Harris County Appraisal District (the "Appraisal District").

b) As estimated by the Appraisal District as of December 1, 2017 for information purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. The certified 2017 taxable assessed valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2017 to December 1, 2017. The ultimate Assessed Valuation of any improvements added from January 1, 2017 through December 31, 2017 will be placed on the District's 2018 tax rolls, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof. See "TAX PROCEDURES."

c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

d) Funds in the Road Debt Service Fund are available to pay debt service on the District's bonds issued for road facilities (including the Bonds) and are not available to pay debt service on the District's bonds for water, sewer, and drainage facilities. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Road Debt Service Fund. The fund balance in the Water, Sewer and Drainage Fund includes capitalized interest from proceeds of the Outstanding Bonds and shall be deposited in the Road Debt Service Fund. The District will capitalize twelve (12) months of interest on the Bonds from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

e) Represents twelve (12) months of capitalized interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Debt as of 12/31/2017	Percent	Overlapping Amount
Harris County	$2,208,674,361	0.026%	$577,368
City of Houston	$3,958,830,000	0.050%	1,973,586
Harris Co Dept. of Educ.	$6,780,000	0.026%	1,772
Harris Co Flood Control Dist	$83,075,000	0.027%	22,159
Port of Houston Authority	$638,829,397	0.027%	170,404
Harris Co Hospital Dist	$61,595,000	0.027%	16,429
Clear Creek Independent School District	$818,715,000	0.532%	4,352,748

Total Estimated Overlapping Debt	$7,114,466
The District's Total Direct Debt (a)	14,965,000
Total Direct and Estimated Overlapping Debt	$22,079,466

Direct and Estimated Overlapping Debt as a Percentage of:

2017 Certified Taxable Appraised Valuation of $114,614,386	19.26%
Estimated Taxable Assessed Valuation as of December 1, 2017 of $194,533,760	11.35%

(a) Includes the Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the taxes levied by the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a summary of taxes levied for the 2017 tax year by all entities overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Overlapping Entity	2017 Tax Rate per $100 Assessed Valuation
Harris County (a)	$0.635180
Clear Creek ISD	1.400000
City of Houston	0.584210
The District (b)	0.850000
Total	$3.469390

(a) Includes Harris County, Harris County Hospital District, Harris County Dept. of Education, Harris County Flood Control District and Port of Houston Authority.

(b) The District has levied a total 2017 tax rate of $0.85 per $100 assessed valuation, comprised of $0.25 per $100 assessed valuation for maintenance, $0.55 per $100 assessed valuation for debt service and $0.05 per $100 assessed valuation as a contract maintenance tax paid to the CLCWA.

DISTRICT OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds.

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the years ended February 28, 2016 and February 28, 2017 and from the District's bookkeeper for the period ended November 30, 2017. Reference is made to such records and statements for further and more complete information.

	Unaudited March 1, 2017 thru November 30, 2017 (a)	Fiscal Year Ended February 28	
		2017	2016
REVENUES:			
Utility Service (b)	$20,729	$251,685	$21,292
Property Taxes	235,000	390,087	82,380
Penalties and interest	-	675	120
Tap connection and inspection (c)	-	236,107	347,031
Miscellaneous	15,726	11,655	11,669
Investment earnings	314	36	10
TOTAL REVENUES	$271,769	$890,245	$462,502
EXPENDITURES:			
Purchased Services	$28,829	$179,442	$19,560
Professional Fees	63,328	86,270	86,768
Contracted Services	15,118	342,637	368,427
Repairs and maintenance	85,734	40,880	13,575
Utilities	3,482	2,474	1,902
Administrative	16,560	17,410	16,320
Other	1,753	13,619	11,958
Intergovernmental Contractual Obligation (d)	10,037	43,255	14,817
TOTAL EXPENDITURES	$224,841	$725,987	$533,327
NET REVENUES	$46,928	$164,258	($70,825)
OTHER FINANCING SOURCES			
Developer Advances	$0	$79,000	$90,000
Interfund transfers			
FUND BALANCE, BEGINNING OF PERIOD	$247,275	$4,017	($15,158)
FUND BALANCE, END OF PERIOD	$294,203	$247,275	$4,017

(a) Unaudited. Provided by the District's bookkeeper.
(b) Represents fees collected by the CLCWA that exceed the CLCWA charges and are rebated to the District.
(c) Tap revenues are CLCWA allocable debt expense.
(d) See 'THE DISTRICT—Exclusion Contract with Clear Lake City Water Authority."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that an amount equal to twelve (12) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2018	$ 467,044		$ 69,906	$ 69,906	$ 536,950
2019	715,144		139,813	139,813	854,956
2020	728,244		139,813	139,813	868,056
2021	725,944	$ 100,000	139,813	239,813	965,756
2022	723,544	100,000	134,313	234,313	957,856
2023	717,869	100,000	128,813	228,813	946,681
2024	716,469	100,000	123,313	223,313	939,781
2025	709,769	100,000	117,813	217,813	927,581
2026	702,919	100,000	112,313	212,313	915,231
2027	700,919	100,000	109,313	209,313	910,231
2028	698,619	100,000	106,313	206,313	904,931
2029	690,694	100,000	103,313	203,313	894,006
2030	687,088	100,000	100,313	200,313	887,400
2031	682,625	100,000	97,313	197,313	879,938
2032	677,281	100,000	94,063	194,063	871,344
2033	671,600	100,000	90,813	190,813	862,413
2034	665,325	100,000	87,563	187,563	852,888
2035	658,375	100,000	84,313	184,313	842,688
2036	656,075	100,000	80,938	180,938	837,013
2037	647,625	100,000	77,563	177,563	825,188
2038	643,813	100,000	74,063	174,063	817,875
2039	634,456	100,000	70,563	170,563	805,019
2040	629,738	100,000	66,938	166,938	796,675
2041	623,825	100,000	63,313	163,313	787,138
2042	621,988	200,000	59,688	259,688	881,675
2043	374,400	200,000	52,438	252,438	626,838
2044		600,000	45,188	645,188	645,188
2045		605,000	22,688	627,688	627,688
	$17,171,388	$3,705,000	$2,592,594	$6,297,594	$ 23,468,981

Average Annual Debt Service Requirement (2018-2045).. $838,178
Maximum Annual Debt Service Requirement (2021).. $965,756

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Historical Tax Rate Distribution" and "Tax Roll Information" below, "TAXING PROCEDURES."

Contract Maintenance Tax

The District levies a contract maintenance tax at a rate of $0.05 per $100 assessed valuation pursuant to the District's obligations in the Exclusion Contract with the CLCWA.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District's improvements, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted on November 4, 2014 and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 appraised valuation for maintenance and operation of water, wastewater, drainage and park/recreational facilities and $0.25 for maintenance and operation of roads and related improvements. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and in addition to the Contract Maintenance Tax. See "Debt Service Tax" and "Contract Maintenance Tax" above."

Historical Tax Rate Distribution

	2017	2016	2015	2014
Debt Service	$0.550	$0.000	$0.000	$0.000
Maintenance (a)	0.300	0.850	0.850	0.850
Total	$0.850	$0.850	$0.850	$0.850

(a) $0.05 of the Maintenance tax rate is a contract maintenance tax paid to the CLCWA.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

				Total Collections as of December 31, 2017	
Tax Year	Assessed Valuation (a)	Tax Rate	Tax Levy	Amount	Percent
2014	$111,138	$ 0.850	$7,866	$7,866	100.00%
2015	9,948,683	0.850	85,365	85,365	100.00%
2016	55,532,866	0.850	472,029	470,260	99.63%
2017	114,614,386	0.850	974,222	374,579	(b)

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.

(b) In process of collection.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation". The following represents the composition of property comprising the 2014 through 2017 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2017	2016	2015	2014
Land	$45,896,444	$29,903,647	$13,359,642	$4,461,014
Improvements	62,250,202	28,295,776	64,936	0
Personal Property	7,241,167	141,498	4,386	0
Less: Exemptions	(773,427)	(2,808,055)	(3,480,281)	(4,349,876)
Total Assessed Valuation	$114,614,386	$55,532,866	$9,948,683	$111,138

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property and the percentage of the 2017 Certified Taxable Assessed Valuation attributable to such property.

Taxpayer	Type of Property	2017 Assessed Valuation	Percentage of Certified Tax Roll
Trendmaker Homes Inc./Trendmaker Clear Lake LLC (a)	Land and improvements	$ 20,807,471	18.15%
HEB Grocery Co	Land and improvements	8,668,441	7.56%
Clear Dorado Land Associates LP (a)	Land and improvements	8,344,120	7.28%
Lennar Homes of Texas	Land and improvements	2,634,141	2.30%
CalAtlantic Homes of Texas Inc.	Land and improvements	935,064	0.82%
PetSmart Inc.	Land and improvements	678,397	0.59%
Individual	Land and improvements	645,178	0.56%
Individual	Land and improvements	634,115	0.55%
Individual	Land and improvements	631,465	0.55%
Individual	Land and improvements	617,431	0.54%
Total		$ 44,595,823	38.91%

(a) The Developers.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2017 Certified Taxable Assessed Valuation of $114,614,386 or the Estimated Taxable Assessed Valuation as of December 1, 2017 of $194,533,760 which is subject to review and adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)--Debt Service Requirements."

Average Annual Debt Service Requirement (2018-2045)	$838,178
$0.77 Tax Rate on 2017 Certified Taxable Assessed Valuation	$838,404
$0.46 Tax Rate on Estimated Taxable Assessed Valuation as of December 1, 2017	$850,113
Maximum Annual Debt Service Requirement (2021)	$965,756
$0.89 Tax Rate on 2017 Certified Taxable Assessed Valuation	$969,065
$0.53 Tax Rate on Estimated Taxable Assessed Valuation as of December 1, 2017	$979,477

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District in the Estimated Taxable Assessed Valuation as of December 1, 2017 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." See "TAX DATA—Debt Service Tax, Contract Tax, Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The 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").

Property Subject to Taxation by the District

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

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

Tax Abatement

Harris County or the City may designate all or part of the District as a reinvestment zone. Thereafter, Harris County, the City, and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

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

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. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General—Tax Collections Limitations and Foreclosure Remedies."

The Effect of FIRREA on Tax Collections of the District

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

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

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston (the "City"), Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners ("Registered Owners") of the Bonds of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that taxable values will be sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

Hurricane Harvey

The Houston area, including Harris County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 9 miles from the Texas Gulf Coast. Accordingly, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

According to the Engineer, the water and wastewater system sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Engineer, no homes or commercial businesses within the District experienced structural flooding or other material damage.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes or commercial improvements within the District.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial development, undeveloped land and developed lots which are currently being marketed by the Developers to the builders for the construction of primary residences. 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 can be significantly affected by factors such as interest rates, credit availability, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "THE DISTRICT—Status of Development."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. 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 construction within the District. In addition, since the District is located approximately 18 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and a decline in the nation's economic condition could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is approximately 18 miles from the central downtown business district of the City of Houston, could be affected by competition from other residential developments including other residential developments located in the southeastern portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots of prospective builders in the construction of single-family residential houses within the District and of Developers marketing commercial property is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers or other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Contract with Clear Lake City Water Authority

Pursuant to an Exclusion Contract between the District and the Clear Lake City Water Authority (the "CLCWA'), the District is required to pay a pro-rata share of the CLCWA debt service requirements on CLCWA's debt outstanding for its central facilities as of the date of the contract and to levy a contract maintenance tax at the rate of $0.05 per $100 assessed valuation to pay for operation and maintenance costs incurred by the CLCWA. The determination of the pro-rata share of the CLCWA debt is based on a percentage of .09782% of the CLCWA debt due in each year that CLCWA debt is outstanding.

The District is obligated to pay a pro-rata share of the CLCWA debt, which the District is not able to control and could result in a higher tax burden to District property owners.

Maximum Impact on Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2017 Certified Taxable Assessed Valuation is $114,614,386. After issuance of the Bonds, the maximum debt service requirement will be $965,756 (2021), and the average annual debt service requirement will be $838,178 (2018-2045 inclusive). Assuming no increase or decrease from the 2017 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of $0.89 per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and a tax rate of $0.77 would be necessary to pay the average annual debt service requirement. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements". The District's Estimated Taxable Assessed Valuation as of December 1, 2017 is $194,533,760, which reduces the above calculations to a tax rate of $0.53 to pay the maximum debt service requirement and a tax rate of $0.46 to pay the average debt service requirement on the Bonds.

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District in the Estimated Taxable Assessed Valuation as of December 1, 2017 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment.

Undeveloped Acreage and Vacant Lots

There are approximately 61 developable acres of land within the District that have not been provided with water, wastewater, storm drainage, road and other facilities necessary for the construction of taxable improvements. In addition, there are 223 vacant developed lots and an additional 105 lots under construction. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT—Land Use—Status of Development."

Dependence on Major Taxpayers and the Developers

The ten principal taxpayers represent $44,595,823 or approximately 38.91% of the 2017 Certified Taxable Assessed Valuation of $114,614,386, which represents ownership as of January 1, 2017. Trendmaker Clear Lake LLC and Trendmaker Homes Inc. represent $20,807,471 or approximately 18.15% of such certified value. See "TAX DATA – Principal Taxpayers."

If any principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District's Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Debt Service Fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAXING PROCEDURES—Levy and Collection of Taxes."

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 August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

In order to comply with the EPA's ozone standards for the HGB area, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit 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 June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR and reinstating language in place before 2015 changes. The proposed rule was published in the Federal Register on July 27, 2017, and the comment period ended on September 28, 2017. On November 16, 2017, the EPA and the USACE released a proposed rule to extend the effective date of the CWR by two years. The proposed rule was published in the Federal Register on November 22, 2017, and the public comment period ended on December 13, 2017. 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's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

Neither the District nor the Underwriter 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 "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) —Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any 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. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitation to Registered Owners' Rights

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the

District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $225,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities and refunding of such bonds, $22,300,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities and refunding of such bonds, and $100,500,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing roads and related improvements and refunding of such bonds has been authorized by voters in the District. After issuance of the Bonds, $96,795,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds, $213,740,000 principal amount of unlimited tax bonds for purchasing and constructing water, wastewater and drainage facilities and refunding of such bonds and all of the authorized bonds for purchasing and constructing park and recreational facilities and refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. Such bonds require the approval of the TCEQ (other than road bonds and refunding bonds) and the Attorney General.

The Developers have expended approximately $14,950,000 (as of February, 2018) for design, construction, engineering and acquisition of District's water, wastewater, and storm drainage facilities, approximately $ 10,300,000 for parks and recreational facilities and approximately $3,800,000 for roads and related improvements not yet reimbursed.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue; however, the outstanding principal amount of bonds or other obligations issued to finance parks may not exceed 1% of the District's taxable value. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT—General," "THE DISTRICT—Exclusion Contract with Clear Lake City Water Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Norton Rose Fulbright US LLP, Houston, Texas, as Disclosure Counsel.

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

Qualified Tax-Exempt Obligations

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

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

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $515 million, $87.7 million and $427.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser" or "Underwriter") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.00% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.814133 % as calculated pursuant to Chapter 1204, Texas Government Code.

Prices and Marketability

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of Water Control and Improvement 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, which are more generally bought, sold or traded in the secondary market.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Hilltop Securities Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Hilltop Securities Inc. has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has consented to the use of information provided by such firms.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Thomas W. Lee of Assessments of the Southwest and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the water, wastewater, and drainage system serving or provided by the District and certain information included in the sections entitled "THE DISTRICT—Description and Location—Status of Development," and "THE SYSTEM" has been provided by LJA Engineering, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ended February 28, 2017, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's February 28, 2017 financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Operating Fund" has been provided by F.Matuska, Inc., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB through its EMMA system. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT," (except "Estimated Overlapping Debt") "DEBT SERVICE REQUIREMENTS" and "TAX DATA," and in Appendix A (Financial Statements of the District and certain Supplemental Schedules). The District will update and provide this information within six (6) 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 "Rule"). The updated financial information and operating data will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

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

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal 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 registered 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 Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the registered owners 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 registered and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser 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

Since the issuance of its first series of bonds in 2016, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Water Control and Improvement District No. 161, as of the date shown on the cover page.

/s/ Bob Mueller
President, Board of Directors
Harris County Water Control and Improvement District No. 161

ATTEST:

/s/ Jeff Safe
Secretary, Board of Directors
Harris County Water Control and Improvement District No. 161

AERIAL LOCATION MAP

(Approximate boundaries as of January, 2018)


Harris County Water Control
And Inprovement District No. 161
Space Center Blvd.
Clear Lake
City Blvd.
N

PHOTOGRAPHS OF THE DISTRICT

The following photographs were taken in the District in January, 2018 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.


MOD
THE ORIGINAL SUPERFAST PIZZA


BMC


TRENDMAKER HOMES
SOLD

APPENDIX A

The information contained in this appendix includes the Annual Audit Report of Harris County Water Control and Improvement District No. 161 and certain supplemental information for the fiscal year ended February 28, 2017.

HARRIS COUNTY WATER CONTROL IMPROVEMENT DISTRICT NO. 161

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2017

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McGrath & Co., PLLC
Certified Public Accountants
P.O. Box 270148
Houston, Texas 77277

Mark W. McGrath CPA
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Colette M. Garcia CPA
colette@mcgrath-co.com

Independent Auditors' Report

Board of Directors
Harris County Water Control Improvement District No. 161
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control Improvement District No. 161, as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Harris County Water Control Improvement District No. 161
Harris County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Water Control Improvement District No. 161, as of February 28, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGrath & Co, PLLC

Houston, Texas
June 19, 2017

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Water Control Improvement District No. 161 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at February 28, 2017, was negative $5,590,628. The District's net position is negative because the District relies on advances from its developers to fund operating costs and it incurs debt to construct road facilities which it conveys to the City of Houston. A comparative summary of the District's overall financial position, as of February 28, 2017 and February 29, 2016, is as follows:

	2017	2016
Current and other assets	$ 947,086	$ 54,179
Capital assets	14,032,539	4,346,537
Total assets	14,979,625	4,400,716
Current liabilities	154,130	48,014
Long-term liabilities	20,416,123	5,278,903
Total liabilities	20,570,253	5,326,917
Net position		
Net investment in capital assets	(2,260,129)	(80,308)
Restricted	226,199	
Unrestricted	(3,556,698)	(845,893)
Total net position	$ (5,590,628)	$ (926,201)

The total net position of the District decreased during the current fiscal year by $4,664,427. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2017	2016
Revenues		
Property taxes, penalties and interest	$ 395,401	$ 83,121
Utility service	251,685	21,292
Other	247,973	358,710
Total revenues	895,059	463,123
Expenses		
Current service operations	807,747	518,510
Intergovernmental	43,255	14,817
Interest and fees	355,887	
Debt issuance costs	252,066	
Depreciation/amortization	282,821	65,349
Total expenses	1,741,776	598,676
Change in net position before other item	(846,717)	(135,553)
Other item		
Transfers to other governments	(3,817,710)	(587,058)
Change in net position	(4,664,427)	(722,611)
Net position, beginning of year	(926,201)	(203,590)
Net position, end of year	$ (5,590,628)	$ (926,201)

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2017, were $786,168, which consists of $247,275 in the General Fund, $226,199 in the Debt Service Fund and $312,694 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of February 28, 2017 and February 29, 2016 is as follows:

	2017	2016
Total assets	$ 406,730	$ 54,179
Total liabilities	$ 152,667	$ 48,014
Total deferred inflows	6,788	2,148
Total fund balance	247,275	4,017
Total liabilities, deferred inflows and fund balance	$ 406,730	$ 54,179

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	$ 890,245	$ 462,502
Total expenditures	(725,987)	(533,327)
Revenues over/(under) expenditures	164,258	(70,825)
Other changes in fund balance	79,000	90,000
Net change in fund balance	$ 243,258	$ 19,175

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of utility services to customers within the District, tap connection fees charged to homebuilders in the District and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Utility service revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The District's developer advances funds to the District as needed to pay operating costs.

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Order adopted by the Board. As required by the Bond Order, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position for the Debt Service Fund as of February 28, 2017 is as follows:

Total assets	$ 226,199
Total fund balance	$ 226,199

A summary of activities of the Debt Service Fund for the current year is as follows:

Total revenues	$ 9,057
Total expenditures	(52,085)
Revenues under expenditures	(43,028)
Other changes in fund balance	269,227
Net change in fund balance	$ 226,199

The District's financial resources in the Debt Service Fund in the current year are from accrued interest and capitalized interest from the sale of bonds.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2016 bonds. A summary of the financial position of the Capital Projects Fund as of February 28, 2017 is as follows:

Total assets	$ 314,157
Total liabilities	$ 1,463
Total fund balance	312,694
Total liabilities and fund balance	$ 314,157

A summary of activities in the Capital Projects Fund for the current fiscal year is as follows:

Total revenues	$ 92
Total expenditures	(3,727,921)
Revenues under expenditures	(3,727,829)
Other changes in fund balance	4,040,523
Net change in fund balance	$ 312,694

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and operating advances from the District's developer.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $3,963 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at February 28, 2017 and February 29, 2016 are summarized as follows:

	2017	2016
Capital assets not being depreciated		
Land and improvements	$ 3,703,633	$ 1,486,112
Capital assets being depreciated/amortized		
Infrastructure	8,265,220	2,940,733
Landscaping improvements	2,061,314	
Impact fees	365,501	
	10,692,035	2,940,733
Less accumulated depreciation/amortization		
Infrastructure	(250,445)	(80,308)
Landscaping improvements	(103,065)	
Impact fees	(9,619)	
	(363,129)	(80,308)
Depreciable capital assets, net	10,328,906	2,860,425
Capital assets, net	$ 14,032,539	$ 4,346,537

Capital asset additions during the current year include the following:

- Lift station to serve the Reserve at Clear Lake
- Utilities to serve El Dorado Boulevard extension, Phases 1 and 2
- Detention ponds, Phase 2
- Utilities to serve Sunrise Lake Drive
- Utilities to serve Reserve at Clearlake, Sections 2, 7, 8 and 9
- Pinebrook basin expansion
- Softscape for Reserve at Clearlake, Phase 1
- Softscape for Reserve at Clear Lake, Pretty Ditch

The City of Houston assumes responsibility for all roads constructed within the District. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended February 28, 2017, capital assets in the amount of $3,817,710 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of February 28, 2017, the District owes the developer $15,876,179 for completed projects and operating advances. As discussed in Note 6, the District has contractual commitments for ongoing construction projects in the amount of $7,895,836. As previously mentioned, the District will owe its developer for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developer from proceeds of future bond issues.

During the year, the District issued $4,675,000 in unlimited tax bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of February 29, 2016.

At February 28, 2017, the District had $220,325,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $22,300,000 for parks and recreational facilities and $100,500,000 for road improvements.

Next Year's Budget

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

	2017 Actual	2018 Budget
Total revenues	$ 890,245	$ 213,200
Total expenditures	(725,987)	(250,790)
Revenues over/(under) expenditures	164,258	(37,590)
Other changes in fund balance	79,000	37,590
Net change in fund balance	243,258	
Beginning fund balance	4,017	247,275
Ending fund balance	$ 247,275	$ 247,275

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Basic Financial Statements

Harris County Water Control Improvement District No. 161
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 377,180	$ 226,199	$ 304,954	$ 908,333	$ -	$ 908,333
Taxes receivable	6,788			6,788		6,788
Customer service receivables	24,410			24,410		24,410
Internal balances	(9,203)		9,203			
Due from operator	7,236			7,236		7,236
Other receivables	319			319		319
Capital assets not being depreciated					3,703,633	3,703,633
Capital assets, net					10,328,906	10,328,906
Total Assets	$ 406,730	$ 226,199	$ 314,157	$ 947,086	14,032,539	14,979,625
Liabilities						
Accounts payable	$ 11,227	$ -	$ 1,463	$ 12,690		12,690
Other payables	8,486			8,486		8,486
Customer deposits	41,718			41,718		41,718
Unearned revenue	68,278			68,278		68,278
Due to other governments	22,958			22,958		22,958
Due to developer					15,876,179	15,876,179
Long-term debt						
Due after one year					4,539,944	4,539,944
Total Liabilities	152,667		1,463	154,130	20,416,123	20,570,253
Deferred Inflows of Resources						
Deferred property taxes	6,788			6,788	(6,788)	
Fund Balances/Net Position						
Fund Balances						
Restricted		226,199	312,694	538,893	(538,893)	
Unassigned	247,275			247,275	(247,275)	
Total Fund Balances	247,275	226,199	312,694	786,168	(786,168)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 406,730	$ 226,199	$ 314,157	$ 947,086		
Net Position						
Net investment in capital assets					(2,260,129)	(2,260,129)
Restricted for debt service					226,199	226,199
Unrestricted					(3,556,698)	(3,556,698)
Total Net Position					$ (5,590,628)	$ (5,590,628)

See notes to basic financial statements.

Harris County Water Control Improvement District No. 161
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Utility service	$ 251,685	$ -	$ -	$ 251,685	$ -	$ 251,685
Property taxes	390,087			390,087	4,639	394,726
Penalties and interest	675			675		675
Tap connection and inspection	236,107			236,107		236,107
Accrued interest on bonds sold		8,974		8,974	(8,974)	
Miscellaneous	11,655			11,655		11,655
Investment earnings	36	83	92	211		211
Total Revenues	890,245	9,057	92	899,394	(4,335)	895,059
Expenditures/Expenses						
Current service operations						
Purchased services	179,442			179,442		179,442
Professional fees	86,270		124,907	211,177		211,177
Contracted services	342,637			342,637		342,637
Repairs and maintenance	40,880			40,880		40,880
Utilities	2,474			2,474		2,474
Administrative	17,410	54	54	17,518		17,518
Other	13,619			13,619		13,619
Capital outlay			3,043,257	3,043,257	(3,043,257)	
Intergovernmental						
Contractual obligation	43,255			43,255		43,255
Debt service						
Interest and fees		52,031	307,637	359,668	(3,781)	355,887
Debt issuance costs			252,066	252,066		252,066
Depreciation/amortization					282,821	282,821
Total Expenditures/Expenses	725,987	52,085	3,727,921	4,505,993	(2,764,217)	1,741,776
Revenues Over/(Under) Expenditures/Expenses	164,258	(43,028)	(3,727,829)	(3,606,599)	2,759,882	(846,717)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		269,227	4,405,773	4,675,000	(4,675,000)	
Bond discount			(140,250)	(140,250)	140,250	
Repayment of operating advances			(225,000)	(225,000)	225,000	
Developer advances	79,000			79,000	(79,000)	
Other Item						
Transfers to other governments					(3,817,710)	(3,817,710)
Net Change in Fund Balances	243,258	226,199	312,694	782,151	(782,151)	
Change in Net Position					(4,664,427)	(4,664,427)
Fund Balance/Net Position						
Beginning of the year	4,017			4,017	(930,218)	(926,201)
End of the year	$ 247,275	$ 226,199	$ 312,694	$ 786,168	$ (6,376,796)	$ (5,590,628)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Water Control Improvement District No. 161 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Senate Bill No. 1841, Acts 2013, 83rd Legislature, Regular Session, dated June 14, 2013, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, Texas Constitution, as well as the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 4, 2013 and the first bonds were sold on November 22, 2016.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and utility service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. Principal financial resources in the current year are capitalized interest from the sale of bonds.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, parks and recreational facilities and road improvements.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2017, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of water, wastewater, drainage facilities and landscaping improvements, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	20 years
Impact fees	40 years (max)

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

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from the sale of bonds in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 786,168
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 14,395,668	
Less accumulated depreciation/amortization	(363,129)	
Change due to capital assets		14,032,539
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.		(15,876,179)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.		(4,539,944)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the fund.		6,788
Total net position - governmental activities		$ (5,590,628)

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

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

Net change in fund balances - total governmental funds		$ 782,151
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes.		4,639
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 3,043,257	
Depreciation/amortization expense	(282,821)	
		2,760,436
The issuance of long-term debt provides current financial resources to governmental funds. However, the transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(4,675,000)	
Bond discount	140,250	
Accrued interest on bonds sold	(8,974)	
Interest expense	3,781	
		(4,539,943)
Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position.*		(79,000)
Amounts repaid to the District's developer for operating advances do not use financial resources at the fund level, but reduce the liability in the *Statement of Net Position.*		225,000
The District conveys public roads to the City of Houston upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(3,817,710)
Change in net position of governmental activities		$ (4,664,427)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Amounts Due to/from Other Funds

Amounts due to/from other funds at February 28, 2017, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	$ -	$ 9,203
Capital Projects Fund	9,203	
	$ 9,203	$ 9,203

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2017, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 1,486,112	$ 2,217,521	$ 3,703,633
Capital assets being depreciated/amortized			
Infrastructure	2,940,733	5,324,487	8,265,220
Landscaping improvements		2,061,314	2,061,314
Impact fees		365,501	365,501
	2,940,733	7,751,302	10,692,035
Less accumulated depreciation/amortization			
Infrastructure	(80,308)	(170,137)	(250,445)
Landscaping improvements		(103,065)	(103,065)
Impact fees		(9,619)	(9,619)
	(80,308)	(282,821)	(363,129)
Subtotal depreciable capital assets, net	2,860,425	7,468,481	10,328,906
Capital assets, net	$ 4,346,537	$ 9,686,002	$ 14,032,539

Depreciation/amortization expense for the current year was $282,821.

Note 6 – Due to Developer

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

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	$ 5,278,903
Developer reimbursements	(3,043,257)
Repayment of operating advances	(225,000)
Developer funded construction and adjustments	13,786,533
Operating advances from developer	79,000
Due to developer, end of year	$ 15,876,179

Note 6 – Due to Developer (continued)

In addition, the District will owe the developer approximately $7,895,836, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Utilities to serve The Reserve at Clear Lake, Section 3	$ 615,168	$ 475,441	$ 139,727
Paving to serve The Reserve at Clear Lake, Section 9	390,149	368,724	21,425
Utilities to serve Reserve at Clear Lake, Section 10	556,921	380,710	176,211
Utilities to serve El Dorado extension, Phase 3	396,376	250,100	146,276
Paving to serve El Dorado extension, Phase 3	413,959	38,791	375,168
Sunrise Lake Drive detention pond - (detention facilities F-1 to serve The Reserve at Clear Lake)	380,094	347,105	32,989
Providence Bay detention ponds	834,580	29,372	805,208
Lift station no. 2	735,066	420,598	314,468
Utilities to serve Travis Heights Lane	378,210	338,975	39,235
Landscaping to serve The Reserve - Phase 1A	342,118	317,667	24,451
The Reserve - Phase 2 Landscape Reserves	1,164,239	897,028	267,211
The Reserve - Phase 2 detention lakes	1,025,345	799,152	226,193
The Reserve - Recreation center detention basin	227,752		227,752
Landscaping to serve The Reserve - Section 8	435,859		435,859
	$ 7,895,836	$ 4,663,663	$ 3,232,173

Note 7 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 4,675,000
Unamortized discounts	(135,056)
	$ 4,539,944
Due within one year	$ -

The District's bonds payable at February 28, 2017, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	$ 4,675,000	$ 4,675,000	2.00% - 3.75%	September 1, 2018/2042	September 1, March 1	September 1, 2024

Note 7 – Long–Term Debt (continued)

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 28, 2017, the District had authorized but unissued bonds in the amount of $220,325,000 for water, sewer and drainage facilities; $22,300,000 for park and recreational facilities; and $100,500,000 for road facilities.

On November 22, 2016, the District issued its $4,675,000 Series 2016 Unlimited Tax Bonds at a net effective interest rate of 3.666495%. Proceeds of the bonds were used to (1) reimburse the developer for operating advances, creation costs and the construction of capital assets in the District plus interest at the net effective interest rate of the bonds and (2) to pay capitalized interest into the Debt Service Fund.

The change in the District's long term debt during the year is as follows:

Bonds payable, beginning of year	$	-
Bonds issued		4,675,000
Bonds payable, end of year	$	4,675,000

Note 7 – Long–Term Debt (continued)

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 28, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	$ -	$ 153,844	$ 153,844
2019	95,000	152,894	247,894
2020	100,000	150,944	250,944
2021	105,000	148,893	253,893
2022	110,000	146,743	256,743
2023	115,000	144,205	259,205
2024	120,000	140,969	260,969
2025	130,000	137,219	267,219
2026	135,000	133,244	268,244
2027	140,000	129,119	269,119
2028	150,000	124,769	274,769
2029	160,000	120,119	280,119
2030	165,000	115,141	280,141
2031	175,000	109,719	284,719
2032	185,000	103,753	288,753
2033	195,000	97,341	292,341
2034	205,000	90,463	295,463
2035	215,000	83,113	298,113
2036	225,000	75,412	300,412
2037	240,000	67,125	307,125
2038	250,000	58,244	308,244
2039	265,000	48,909	313,909
2040	275,000	39,122	314,122
2041	290,000	28,881	318,881
2042	305,000	17,906	322,906
2043	325,000	6,094	331,094
	$ 4,675,000	$ 2,624,185	$ 7,299,185

Note 8 – Property Taxes

On November 4, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The voters also authorized the District's Board of Directors to levy taxes annually for use in road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of $0.85 per $100 of assessed value, of which $0.80 was allocated to maintenance and operations and $0.05 was allocated to contract tax pursuant to the District's contract with Clear Lake City Water Authority. The resulting tax levy was $387,263 on the adjusted taxable value of $45,560,347.

Property taxes receivable, at February 28, 2017, consisted of the following:

Current year taxes receivable	$ 6,747
Prior years taxes receivable	41
Total property taxes receivable	$ 6,788

Note 9 - Contract with Clear Lake City Water Authority

On December 1, 2014, the District entered into an Exclusion Contract (the "Contract") with the Clear Lake City Water Authority (the "Authority") pursuant to which the Authority will provide water, sanitary sewer, and drainage services to the District. Rates charged by the Authority to District customers shall not exceed one and a half times the cost charged to customers of the Authority for similar services. Customers are also charged a $10 per month operations fee by the Authority.

Additionally, the District is required to pay a pro-rata share of the Authority's debt service requirements on the debt outstanding for its central facilities as of the date of the Contract (i.e., $86,020,000) and to levy a contract tax in the amount of $0.05 per $100 of assessed value to pay for operation and maintenance costs incurred by the Authority. The determination of the District's prorate share is based on the percentage of total taxable property within the District to total taxable value of property within the Authority.

During the current year, the District recognized expenses of $43,255 for amounts due to the Authority for its pro-rata share of the Authority's debt service requirements and contract taxes levied for operation and maintenance costs incurred by the Authority. At February 28, 2017, contract taxes in the amount of $22,958 were payable to the Authority.

Note 10 – Transfers to Other Governments

The City of Houston ("City") assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered to be capital assets of the City, not the District. For the year ended February 28, 2017, the District recorded transfers to other governments in the amount of $3,817,710 for road facilities constructed by a developer within the District.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12 – Economic Dependency

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

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Required Supplementary Information

Harris County Water Control Improvement District No. 161
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Utility service	$ 6,000	$ 6,000	$ 251,685	$ 245,685
Property taxes	64,450	357,395	390,087	32,692
Penalties and interest			675	675
Tap connection and inspection			236,107	236,107
Miscellaneous			11,655	11,655
Investment earnings	50	50	36	(14)
Total Revenues	70,500	363,445	890,245	526,800
Expenditures				
Current service operations				
Purchased services			179,442	(179,442)
Professional fees	101,000	101,000	86,270	14,730
Contracted services	18,000	18,000	342,637	(324,637)
Repairs and maintenance	35,950	35,950	40,880	(4,930)
Utilities	2,500	2,500	2,474	26
Administrative	25,200	25,200	17,410	7,790
Other	500	500	13,619	(13,119)
Intergovernmental				
Contractual obligation			43,255	(43,255)
Total Expenditures	183,150	183,150	725,987	(542,837)
Revenues Over/(Under) Expenditures	(112,650)	180,295	164,258	(16,037)
Other Financing Sources				
Developer advances	112,650	59,000	79,000	20,000
Net Change in Fund Balance		239,295	243,258	3,963
Fund Balance				
Beginning of the year	4,017	4,017	4,017	
End of the year	$ 4,017	$ 243,312	$ 247,275	$ 3,963

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated property taxes and developer advances.

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Texas Supplementary Information

Harris County Water Control Improvement District No. 161
TSI-1. Services and Rates
February 28, 2017

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

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

☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
☐ Other (Specify): ______

2. Retail Service Providers
(You may omit this information if your district does not provide retail services)

a. Retail Rates for a 5/8" meter (or equivalent):
* The District bills all residential customers bimonthly.

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 17.60	2,000	N	$ 1.60	2,001	to	10,000
				4.40	10,001	to	20,000
				3.65	20,001	to	no limit
Wastewater:	$ 17.60	2,000	N	1.60	2,001	to	10,000
				3.04	10,001	to	no limit
Service fee	$ 20.00	N/A	Y			to	

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water $ 30.40 Wastewater $ 30.40
Service fee $ 20.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	117	117	x 1.0	117
1"	88	88	x 2.5	220
1.5"	3	3	x 5.0	15
2"	14	14	x 8.0	112
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	226	226		654
Total Wastewater	204	204	x 1.0	204

* Rates determined by Clear Lake City Water Authority.

See accompanying auditor's report.

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

*Gallons purchased into system:	34,984,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	34,984,000	100.00%

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

   Does the District have Debt Service standby fees? Yes [ ] No [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: ______

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

   Is the District located entirely within one county? Yes [X] No [ ]

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

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

   City(ies) in which the District is located: City of Houston

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

   Entirely [ ] Partly [ ] Not at all [X]

   ETJs in which the District is located: ______

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

   If Yes, by whom? ______

* Gallons purchased from the City of Houston

See accompanying auditors' report.

Harris County Water Control Improvement District No. 161
TSI-2 General Fund Expenditures
For the Year Ended February 28, 2017

Purchased services	$ 179,442
Professional fees	
Legal	62,513
Audit	5,500
Engineering	18,257
	86,270
Contracted services	
Bookkeeping	7,570
Operator	23,652
Tap connection and inspection	304,385
	342,637
Repairs and maintenance	40,880
Utilities	2,474
Administrative	
Directors fees	6,600
Printing and office supplies	1,235
Insurance	5,844
Other	3,731
	17,410
Other	13,619
Intergovernmental	
Contractual obligation	43,255
Total expenditures	$ 725,987

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	5,179 kWh	$ 2,474
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Harris County Water Control Improvement District No. 161
TSI-4. Taxes Levied and Receivable
February 28, 2017

	Maintenance Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	$ 2,021	$ 127	$ 2,148
Adjustments to Prior Year Tax Levy	7,269	453	7,722
Adjusted Receivable	9,290	580	9,870
2016 Original Tax Levy	218,904	13,681	232,585
Adjustments	145,579	9,099	154,678
Adjusted Tax Levy	364,483	22,780	387,263
Total to be accounted for	373,773	23,360	397,133
Tax collections:			
Current year	358,133	22,383	380,516
Prior years	9,251	578	9,829
Total Collections	367,384	22,961	390,345
Taxes Receivable, End of Year	$ 6,389	$ 399	$ 6,788
Taxes Receivable, By Years			
2016	$ 6,350	$ 397	$ 6,747
2015	39	2	41
Taxes Receivable, End of Year	$ 6,389	$ 399	$ 6,788

	2016	2015	2014
Property Valuations:			
Land	$ 17,274,722	$ 13,301,588	$ 4,461,014
Improvements	28,819,663		
Personal Property	141,498	4,386	
Exemptions	(675,536)	(3,472,577)	(4,349,876)
Total Property Valuations	$ 45,560,347	$ 9,833,397	$ 111,138
Tax Rates per $100 Valuation:			
Maintenance tax rates	$ 0.80	$ 0.80	$ 0.80
Contract tax rates	0.05	0.05	0.05
Total Tax Rates per $100 Valuation	$ 0.85	$ 0.85	$ 0.85
Adjusted Tax Levy:	$ 387,263	$ 83,584	$ 945
Percentage of Taxes Collected to Taxes Levied **	98.26%	99.95%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 4, 2014

** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 4, 2014

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

See accompanying auditors' report.

Harris County Water Control Improvement District No. 161
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
February 28, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	$ -	$ 153,844	$ 153,844
2019	95,000	152,894	247,894
2020	100,000	150,944	250,944
2021	105,000	148,893	253,893
2022	110,000	146,743	256,743
2023	115,000	144,205	259,205
2024	120,000	140,969	260,969
2025	130,000	137,219	267,219
2026	135,000	133,244	268,244
2027	140,000	129,119	269,119
2028	150,000	124,769	274,769
2029	160,000	120,119	280,119
2030	165,000	115,141	280,141
2031	175,000	109,719	284,719
2032	185,000	103,753	288,753
2033	195,000	97,341	292,341
2034	205,000	90,463	295,463
2035	215,000	83,113	298,113
2036	225,000	75,412	300,412
2037	240,000	67,125	307,125
2038	250,000	58,244	308,244
2039	265,000	48,909	313,909
2040	275,000	39,122	314,122
2041	290,000	28,881	318,881
2042	305,000	17,906	322,906
2043	325,000	6,094	331,094
	$ 4,675,000	$ 2,624,185	$ 7,299,185

See accompanying auditors' report.

Harris County Water Control Improvement District No. 161
TSI-6. Change in Long-Term Bonded Debt
February 28, 2017

	Bond Issue
	Series 2016
Interest rate	2.00% - 3.75%
Dates interest payable	9/1; 3/1
Maturity dates	9/1/18 - 9/1/42
Beginning bonds outstanding	$ -
Bonds issued	4,675,000
Ending bonds outstanding	$ 4,675,000
Interest paid during fiscal year	$ 51,281

Paying agent's name and city
Series 2016 — The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds
Amount Authorized by Voters	$ 225,000,000	$ 22,300,000	$ 100,500,000
Amount Issued	(4,675,000)		
Remaining To Be Issued	$ 220,325,000	$ 22,300,000	$ 100,500,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of February 28, 2017:	$ 226,199
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 280,738

See accompanying auditors' report.

Harris County Water Control Improvement District No. 161
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2017	2016	2015**	2014**
Revenues				
Utility service	$ 251,685	$ 21,292	$ -	$ -
Property taxes	390,087	82,380		
Penalties and interest	675	120		
Tap connection and inspection	236,107	347,031		
Miscellaneous	11,655	11,669		
Investment earnings	36	10	4	
Total Revenues	890,245	462,502	4	
Expenditures				
Current service operations				
Purchased services	179,442	19,560		
Professional fees	86,270	86,768	93,912	62,430
Contracted services	342,637	368,427	7,635	2,670
Repairs and maintenance	40,880	13,575		
Utilities	2,474	1,902		
Administrative	17,410	16,320	16,810	6,081
Other	13,619	11,958	27	597
Intergovernmental				
Contractual obligation	43,255	14,817		
Total Expenditures	725,987	533,327	118,384	71,778
Revenues Over/(Under) Expenditures	$ 164,258	$ (70,825)	$ (118,380)	$ (71,778)
Total Active Retail Water Connections	226	126	N/A	N/A
Total Active Retail Wastewater Connections	204	118	N/A	N/A

*Percentage is negligible
** Unaudited
See accompanying auditors' report.

Percent of Fund Total Revenues			
2017	2016	2015**	2014**
28%	5%		
44%	18%		
*	*		
27%	74%		
1%	3%		
*	*	100%	
100%	100%	100%	0%
20%	4%		
10%	19%	2347800%	N/A
38%	80%	190875%	N/A
5%	3%		
*	*		
2%	4%	420250%	N/A
2%	3%	675%	N/A
5%	3%		
82%	116%	2959600%	0%
18%	(16%)	(2,959,500%)	0%

Harris County Water Control Improvement District No. 161
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Fiscal Year Ending February 28, 2017

	Amounts	Percent of Fund Total Revenues
	2017	2017
Revenues		
Accrued interest on bonds sold	$ 8,974	99%
Investment earnings	83	1%
Total Revenues	9,057	100%
Expenditures		
Tax collection services	54	1%
Debt service		
Interest and fees	52,031	574%
Total Expenditures	52,085	575%
Revenues Under Expenditures	$ (43,028)	(475%)

*Percentage is negligible

See accompanying auditors' report.

Harris County Water Control Improvement District No. 161
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2017

Complete District Mailing Address:	3200 Southwest FWY, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	November 16, 2016
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Bob Mueller	5/16 to 05/20	$ 1,650	$ 59	President
Heath Melton	11/16 to 05/18	300	62	Vice President
Jeff Safe	05/16 to 05/20	1,650	119	Secretary
Katy Walston	11/14 to 05/18	1,500	283	Assistant Secretary
Tim Morrow	11/15 to 05/18	1,500	119	Assistant Vice President
Chad Meacham	05/14 to 11/16	150		Former Director
Consultants		Amounts Paid		
Allan Boone Humphries Robinson LLP	10/13			Attorney
General legal fees		$ 62,575		
Bond counsel		137,009		
Clear Lake City Water Authority	05/14	525,707		Operator
Fran Matuska, Inc.	10/13	9,370		Bookkeeper
Assessments of the Southwest, Inc.	10/13	4,507		Tax Collector
Harris County Appraisal District	Legislation	1,523		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	06/14			Delinquent Tax Attorney
LJA Engineering, Inc.	10/13	26,026		Engineer
McGrath & Co., PLLC	05/16	13,500		Auditor
FirstSouthwest, a Division of Hilltop Securities	10/13	95,370		Financial Advisor

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

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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