

OFFICIAL STATEMENT DATED MAY 15, 2019

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES 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 (AGM): S&P "AA" (stable outlook)
 Moody's "A2" (stable outlook)
 Underlying Rating: Moody's "A3"
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$5,805,000

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
 OF HARRIS COUNTY, TEXAS
 (A political subdivision of the State of Texas located within Harris County)
 UNLIMITED TAX REFUNDING BONDS
 SERIES 2019A**

Dated: June 1, 2019

Due: September 1, as shown below

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar," "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from June 1, 2019 and be payable on September 1, 2019 (three months of interest) and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to 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/Registrar 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. 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 ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$ 25,000	3.000	% 1.780	% 41420GKY5	2028	\$ 125,000 (c)	2.250	% 2.480	% 41420GLG3
2021	30,000	3.000	1.830	41420GKZ2	2029	220,000 (c)	2.500	2.650	41420GLH1
2022	130,000	3.000	1.890	41420GLA6	2030	315,000 (c)	3.000	2.730	41420GLJ7
2023	130,000	3.000	1.950	41420GLB4	2031	375,000 (c)	3.000	2.830	41420GLK4
2024	130,000	3.000	2.010	41420GLC2	2032	1,005,000 (c)	3.000	2.930	41420GLL2
2025	130,000 (c)	2.000	2.130	41420GLD0	2033	995,000 (c)	3.000	3.000	41420GLM0
2026	125,000 (c)	2.000	2.250	41420GLE8	2034	980,000 (c)	3.000	3.050	41420GLN8
2027	125,000 (c)	2.125	2.330	41420GLF5	2035	965,000 (c)	3.000	3.090	41420GLP3

- (a) 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 may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from June 1, 2019, is to be added to the price.
- (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) Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 167 of Harris County, Texas (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 all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

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, Bond Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P. Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about June 13, 2019.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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 THE OFFICIAL STATEMENT—Updating the Official Statement.”

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

The Issuer Harris County Municipal Utility District No. 167 of Harris County, Texas (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue \$5,805,000 Unlimited Tax Refunding Bonds, Series 2019A (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing serially in the years 2020 through 2035 in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from June 1, 2019 and is payable on September 1, 2019 (three months of interest), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”

The Bonds maturing on and after September 1, 2025, 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, 2024, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”

Book-Entry-Only 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.”

Source of Payment The Bonds are payable from an annual ad valorem tax levied upon all taxable property within the District, which, under Texas law, is not limited as to rate or amount. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See “THE BONDS—Source of and Security for Payment.”

Use of Proceeds Proceeds from the sale of the Bonds, together with other lawfully available funds of the District will be used to currently refund and defease \$5,560,000 of the District’s Outstanding Bonds (defined below) in order to achieve annual and net present value savings in the District’s annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium. After the issuance of the Bonds, \$70,130,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”

Payment Record Assuming the issuance of the Series 2019 Bonds described below, the District will have issued nine series of unlimited tax bonds, one series of unlimited tax park bonds and two series of unlimited tax refunding bonds, \$75,690,000 of which will be outstanding as of May 28, 2019 (the “Outstanding Bonds”) including \$8,310,000 principal amount of the District’s Unlimited Tax Bonds, Series 2019 (“the “Series 2019 Bonds”) which sold on April 29, 2019 and are scheduled to be issued on May 28, 2019. The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

Qualified Tax-Exempt Obligations The Bonds have been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

<i>Municipal Bond Rating and Municipal Bond Insurance</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service, Inc. (Moody’s) will assign municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, 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 Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “A3” to the Bonds. An explanation of their ratings may be obtained from S&P or Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Bond Counsel</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Underwriter’s Counsel</i>	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.
<i>Escrow Agent</i>	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.
<i>Verification Agent</i>	Public Finance Partners LLC, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

SEVERE WEATHER

General The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, the most recent of which was Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

*Impact of Hurricane
Harvey on the District* The District’s System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. However, approximately ten homes within the District experienced flooding as a result of the storm. Otherwise, there have been no reports of structural flooding or other material damage to taxable improvements within the District.

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

THE DISTRICT

Description..... The District was created by order dated July 25, 1978, of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”). The District presently contains approximately 1,262 acres of land located in the northwest portion of Harris County, approximately 23 miles from downtown Houston, Texas. The District is located north of Clay Road, south of F.M. 529, and west of State Highway No. 6. Fry Road bisects the western part of the District. The District lies entirely within the extraterritorial jurisdiction of the City of Houston.

Status of Development..... Water, sanitary sewer, and drainage facilities have been constructed to serve approximately 1,014 acres of land in the District. Of such acreage, approximately 789 acres have been developed for single-family residential purposes, approximately 4 acres have been developed for a 129 unit senior community apartment complex, approximately 71 acres have been developed or have trunk utilities constructed to serve commercial and other usages, approximately 23 acres have been developed for a 624-unit apartment complex, and approximately 127 acres have been developed as two elementary schools, a junior high school, a senior high school, and a church, none of which is subject to taxation by the District. The District also has approximately 150 acres of land in easements and rights-of-way, approximately 18 acres of land in parks and recreational facilities, and approximately 80 acres of developable land.

Water, sanitary sewer, and drainage facilities have been constructed to serve the residential subdivisions of Villages of Bear Creek, Sections 1 and 6 through 8, Creekside, Bear Creek Glen, Plantation Lakes, Sections 1 through 10, 14, 16 through 18, and 20 through 24, Cypress Place, Meadow Wood, Ricewood Village, Sections 1 through 11, Brenwood South, Sections 1 and 2, and Westfield Ranch, Sections 1 through 4 (approximately 789 acres of land developed into 3,970 single-family residential lots, 22 duplex units and 264 quadraplex units).

As of March 25, 2019, the District contained approximately 3,660 occupied single-family homes, 31 builder connections, 80 vacant single-family homes and 199 vacant lots. Builders in the District include Long Lake Ltd. d/b/a as each of Foxwood Builders, Postwood Homes and Saratoga Homes. New homes in the District range in offering prices from approximately \$135,000 to \$270,000. Houses in the older sections of the District are on the 2018 tax rolls at values averaging from approximately \$90,000 to \$250,000. The District also contains 22 duplex units and 264 quadraplex units, for which values on the 2018 tax rolls average \$180,000.

In addition to the single-family residential development, the District contains a senior community apartment complex consisting of 129 units. Commercial development in the District consists of a Super Wal-Mart store, an ALDI Foodmart, a two-story professional office building, a Dollar Tree store, a dental center, three day-care centers, two car washes, a cleaners, various small restaurants, an auto shop, five strip shopping centers, a mini-storage facility, a medical clinic, and a convenience store. A 624-unit apartment complex has been constructed on approximately 23 acres. See “THE DISTRICT—Status of Development” herein.

The Developers Recent residential development has been conducted by several developers.

The developer of Ricewood Village, Sections 1 through 11, is Woodmere Development Co., Ltd., a Texas limited partnership (“Woodmere”), with Woodmere G.P. as its sole general partner. Long Lake, Ltd. (d.b.a. Foxwood Builders and Postwood Homes), is building homes in these sections at prices ranging from approximately \$160,000 to \$250,000. In 2014, Woodmere purchased approximately 100 acres of land in the District which it is developing as the single-family residential development of Westfield Ranch. Currently, Westfield Ranch, Sections 1 through 4 have been completed on 62 of such acres.

The developer of Plantation Lakes, Sections 3, 4, 7 through 9, 10, 16, 20 through 24, and Brenwood, Sections 1 and 2, is Plantation Interests, Ltd., a Texas limited partnership (“Plantation”), with Academy Development as its general partner. Legend Homes and Camillo Properties are building homes, duplexes, and quadraplexes in these sections at prices ranging from approximately \$120,000 to \$140,000. Plantation does not own any undeveloped land in the District.

The fee developer of Plantation Lakes, Sections 5, 17, 18 and 22, is Skymark Development Company, Inc. ("Skymark Development"), a Texas corporation. GreenECO Builders and Saratoga Homes are building homes in these sections at prices ranging from approximately \$120,000 to \$220,000. Skymark Development owns approximately 28 acres of undeveloped land in the District.

The developer of Plantation Lakes, Section 14, is BLG Plantation, LLC, a Texas limited partnership ("BLG"). Colina Homes and Megatel Homes are building homes in this section at prices ranging from approximately \$160,000 to \$200,000. BLG owns approximately 10 acres of undeveloped land in the District.

Approximately 35 acres of undeveloped land in the District are owned by various landowners. No development is currently taking place upon this acreage. See "THE DEVELOPERS."

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, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2018 Certified Taxable Assessed Valuation.....	\$738,097,455	(a)
Estimated Taxable Assessed Valuation as of March 1, 2019.....	\$861,191,634	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$75,935,000	(c)
Ratio of Gross Direct Debt to 2018 Certified Taxable Assessed Valuation	10.29%	
Ratio of Gross Direct Debt to Estimated Taxable Assessed Valuation as of March 1, 2019	8.82%	
2018 Tax Rate:		
Debt Service.....	\$0.80	
Maintenance and Operations.....	0.24	
Total.....	\$1.04/\$100 A.V.	
Average Annual Debt Service Requirement (2019-2039) of the Bonds and the Remaining Outstanding Bonds (“Average Requirement”).....	\$4,988,154	(d)
Tax rate required to pay Average Requirement (2019-2039) based upon:		
2018 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.72	(e)
Tax rate required to pay Average Requirement (2019-2039) based upon:		
Estimated Taxable Assessed Valuation as of March 1, 2019 at a 95% collection rate	\$0.61	(e)
Maximum Annual Debt Service Requirement (2020) of the Bonds and the Remaining Outstanding Bonds (“Maximum Requirement”).....	\$6,475,275	(d)
Tax rate required to pay Maximum Requirement based upon:		
2018 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.93	(e)
Tax rate required to pay Maximum Requirement based upon:		
Estimated Taxable Assessed Valuation as of March 1, 2019 at a 95% collection rate	\$0.80	(e)
Active Water and Sewer Connections as of March 25, 2019		
Single-family residential - completed and occupied.....	3,660	
Single-family residential - completed and unoccupied.....	80	
Single-family residential - under construction.....	31	
Vacant Developed Lots	199	
Duplex units.....	22	
Quadraplex units.....	264	
Multi-family (753 units).....	2	
Commercial	37	
Other connections.....	61	
Estimated 2019 Population.....	14,888	(f)

- (a) As certified by the Harris County Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on March 1, 2019. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See “TAX PROCEDURES.”
- (c) After the issuance of the Bonds and excludes the Refunded Bonds. The Series 2019 Bonds sold on April 29, 2019 and are scheduled to be issued on May 28, 2019, and are treated as being Outstanding Bonds for purposes of all calculations in this Official Statement. See “FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds.”
- (d) See “DEBT SERVICE REQUIREMENTS.”
- (e) See “TAX DATA—Tax Adequacy for Debt Service.”
- (f) Based on 3.5 persons per single-family connection and 2.0 persons per multi-family, duplex, and quadraplex unit.

OFFICIAL STATEMENT

\$5,805,000

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
OF HARRIS COUNTY, TEXAS**
(A political subdivision of the State of Texas located within Harris County)

**UNLIMITED TAX REFUNDING BONDS
SERIES 2019A**

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 167 of Harris County, Texas (the "District") of its \$5,805,000 Unlimited Tax Refunding Bonds, Series 2019A (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an election held within the District and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds, together with any other lawfully available funds of the District will be used to currently refund and defease outstanding portions of the District's original issue of \$6,460,000 Unlimited Tax Bonds, Series 2011 in order to achieve a reduction in the District's annual debt service expense. Such refunded portions reflected below are collectively referred to as the "Refunded Bonds." See "Refunded Bonds" below. A total of \$70,130,000 in principal amount of the District's Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "—Sources and Uses of Funds" herein and "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."

Refunded Bonds

Proceeds of the Bonds and lawfully available debt service funds will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>September 1 Maturity Date</u>	<u>Series 2011</u>
2022	\$ 100,000
2023	100,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
2028	100,000
2029	200,000
2030	300,000
2031	360,000
2032	1,000,000
2033	1,000,000
2034	1,000,000
2035	1,000,000
	<u>\$ 5,560,000</u>

Redemption Date: September 1, 2019

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company N.A., Dallas, Texas, as escrow agent (the “Escrow Agent”).

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of the Bond Purchase Agreement (defined herein), but, effective on the date of delivery of the Bonds (expected to be June 13, 2019). The Bond Resolution further provides that from the proceeds of the sale of the Bonds, together with certain other lawfully available funds of the District the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and a portion of such funds will be used to purchase direct, noncallable obligations of the United States of America or other investments authorized under Chapter 1207, Texas Government Code (the “Escrowed Securities”), scheduled to mature at such times and in such amounts as will be sufficient to pay, when due, the principal of and interest of the Refunded Bonds. At the time of delivery of the Bonds to the Underwriter, Public Finance Partners LLC, will verify mathematical calculations to the effect that funds are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such a deposit, and in reliance upon the verification report of Public Finance Partners, LLC, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$5,805,000.00
Plus: Net Premium on the Bonds.....	675.85
Plus: Transfer from Debt Service Fund	75,000.00
Total Sources of Funds.....	\$5,880,675.85
Uses of Funds:	
Deposit to Escrow Fund.....	\$5,655,467.40
Issuance Expenses and Underwriters’ Discount (a).....	225,208.45
Total Uses of Funds	\$5,880,675.85

(a) Includes municipal bond insurance premium.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$5,560,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements (a)	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2019	\$ 6,193,139	\$ 120,150		\$ 42,117	\$ 42,117	\$ 6,115,106
2020	6,522,106	240,300	\$ 25,000	168,469	193,469	6,475,275
2021	6,465,528	240,300	30,000	167,719	197,719	6,422,947
2022	6,401,006	340,300	130,000	166,819	296,819	6,357,525
2023	6,315,488	336,300	130,000	162,919	292,919	6,272,106
2024	5,400,288	332,300	130,000	159,019	289,019	5,357,006
2025	5,353,550	328,300	130,000	155,119	285,119	5,310,369
2026	5,331,000	324,300	125,000	152,519	277,519	5,284,219
2027	5,124,600	320,050	125,000	150,019	275,019	5,079,569
2028	5,072,647	315,800	125,000	147,363	272,363	5,029,209
2029	5,020,078	411,550	220,000	144,550	364,550	4,973,078
2030	4,987,953	503,050	315,000	139,050	454,050	4,938,953
2031	4,980,163	550,300	375,000	129,600	504,600	4,934,463
2032	4,989,763	1,175,000	1,005,000	118,350	1,123,350	4,938,113
2033	4,897,247	1,132,500	995,000	88,200	1,083,200	4,847,947
2034	4,825,825	1,090,000	980,000	58,350	1,038,350	4,774,175
2035	4,697,075	1,045,000	965,000	28,950	993,950	4,646,025
2036	3,806,594	-	-	-	-	3,806,594
2037	3,680,313	-	-	-	-	3,680,313
2038	2,803,016	-	-	-	-	2,803,016
2039	2,705,234	-	-	-	-	2,705,234
Total	\$ 105,572,610	\$ 8,805,500	\$ 5,805,000	\$ 2,179,130	\$ 7,984,130	\$ 104,751,240

(a) Includes \$8,310,000 Unlimited Tax Bonds, Series 2019 which sold April 29, 2019 and are scheduled to be issued on May 28, 2019.

Average Annual Debt Service Requirements (2019-2039)	\$4,988,154
Maximum Annual Debt Service Requirements (2020)	\$6,475,275

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2019, with interest payable each September 1 and March 1, beginning September 1, 2019 (the “Interest Payment Date”) until the earlier of maturity or prior redemption, 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., in 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 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 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 (the “Registered Owner”) 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.

Authority for Issuance

At a bond election held within the District on May 15, 2004, the voters of the District authorized the issuance of a total of \$57,000,000 principal amount of unlimited tax refunding bonds. After the issuance of the Bonds, \$55,470,000 principal amount of authorized and unissued unlimited tax refunding bonds will remain from 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 XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, an election held within the District, City of Houston Ordinance No. 97-416, 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. See “LEGAL MATTERS—Legal Proceedings.”

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, 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 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, or any entity other than the District.

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

No Arbitrage

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

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof 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 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).

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.

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 transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

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.

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 bond, 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.

Issuance of Additional Debt

At a bond election held within the District on January 21, 1984, the voters of the District authorized the issuance of \$41,210,000 principal amount of unlimited tax bonds for construction or acquisition of water, sewer, and drainage facilities. At a second bond election held within the District on May 15, 2004, the voters of the District authorized the issuance of \$88,210,000 principal amount of unlimited tax bonds for construction or acquisition of water, sewer, and drainage facilities and cancelled the remaining authorized but unissued bonds from the first bond election. \$8,140,000 principal amount of unlimited tax bonds for construction or acquisition of water, sewer, and drainage facilities remains authorized but unissued. Additionally, the District voters have authorized \$57,000,000 principal amount of unlimited tax refunding bonds, of which \$55,470,000 will remain authorized but unissued after the issuance of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. At an election held in the District on November 7, 2006, voters authorized \$9,000,000 principal amount of unlimited tax park bonds. The District currently has \$6,465,000 principal amount of authorization remaining of unlimited tax bonds for parks and recreational facilities.

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

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

The Bond Resolution imposes no limitation on the amount of additional parity bonds that may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional debt could dilute the investment security for the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Annexation by the City of Houston

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

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory 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 annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (the "SPA") with the City pursuant to Chapter 43 of the Texas Local Government Code in December 2007. The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes in order to impose a sales and use tax, as well as apply certain City health, safety, planning and zoning ordinances within that portion of the District. Residential development within the District is not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules.

Upon execution of the SPA, the City imposed the one percent (1%) retail City Sales Tax within the portion of the District included in the limited purpose annexation. The City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Comptroller (herein defined as the "Contract Sales Tax Revenue"). Pursuant to State law, the District is authorized to use the Contract Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Contract Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds.

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 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. 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 Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

“(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.” The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which 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 the 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 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 do so 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 is on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series 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. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series 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 3.6 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.

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

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

THE DISTRICT

General

Harris County Municipal Utility District No. 167, of Harris County, Texas, (the "District"), is a municipal utility district created by order dated July 25, 1978, of the Texas Water Commission (now known as the Texas Commission on Environmental Quality) and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts.

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

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which, along with Texas law, 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 and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans for certain of such facilities; require the District to follow certain requirements regarding wastewater treatment plant facilities; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. See "THE SYSTEM."

The District presently contains approximately 1,262 acres of land located in the northwest portion of Harris County, approximately 23 miles from downtown Houston, Texas. The District is located north of Clay Road, south of F.M. 529, and west of State Highway No. 6. Fry Road bisects the western part of the District. The District lies entirely within the extraterritorial jurisdiction of the City.

Status of Development

Water, sanitary sewer, and drainage facilities have been constructed to serve approximately 1,014 acres of land in the District. Of such acreage, approximately 789 acres have been or are being developed for single-family residential purposes, approximately 4 acres have been developed for a 129 unit senior community apartment complex, approximately 71 acres have been developed or have trunk utilities constructed to serve commercial and other usages, approximately 23 acres have been developed for a 624-unit apartment complex, and approximately 127 acres have been developed as two elementary schools, a junior high school, a senior high school, and a church, none of which is subject to taxation by the District. The District also has approximately 150 acres of land in easements and rights-of-way, approximately 18 acres of land in parks and recreational facilities, and approximately 80 acres of developable land.

Water, sanitary sewer, and drainage facilities have been constructed to serve the residential subdivisions of Villages of Bear Creek, Sections 1 and 6 through 8, Creekside, Bear Creek Glen, Plantation Lakes, Sections 1 through 10, 14, 16 through 18, and 20 through 24, Cypress Place, Meadow Wood, Ricewood Village, Sections 1 through 11, Brenwood South, Sections 1 and 2, and Westfield Ranch, Sections 1 through 4 (approximately 789 acres of land developed into 3,970 single-family residential lots, 22 duplex units and 264 quadruplex units).

As of March 25, 2019, the District contained approximately 3,660 occupied single-family homes, 31 builder connections, 80 vacant single-family homes and 199 vacant lots. Builders in the District include Long Lake Ltd. d/b/a Foxwood Builders and Postwood Homes, and Saratoga Homes. New homes in the District range in offering prices from approximately \$135,000 to \$270,000. Houses in the older sections of the District are on the 2018 tax rolls at values averaging from approximately \$90,000 to \$250,000. The District also contains 22 duplex units and 264 quadruplex units, for which values on the 2018 tax rolls average \$180,000.

In addition to the single-family residential development, the District contains a senior community apartment complex consisting of 129 units. Commercial development in the District consists of a Super Wal-Mart store, an ALDI Foodmart, a two-story professional office building, a Dollar Tree store, a dental center, three day-care centers, two car washes, a cleaners, various small restaurants, an auto shop, five strip shopping centers, a mini-storage facility, a medical clinic, and a convenience store. A 624-unit apartment complex has been constructed on approximately 23 acres.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Verneath Louise Hronas	President	May 2020
Claudia Buentello	Vice President/Investment Officer	May 2022
Shirley Ann Dean	Assistant Vice President	May 2020
Juan Pablo Medrano	Secretary	May 2022
Brad Yeane	Assistant Secretary	May 2020

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Assessments of the Southwest, Inc. is currently serving in this capacity for the District.

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P. to serve as the District's bookkeeper.

System Operator

The District contracts with H2O Consulting, Inc. for maintenance and operation of the District's system.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Pape-Dawson Engineers (the "Engineer").

Attorney

The District engages Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's audited financial statements for the fiscal year ending May 31, 2018 have been prepared by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's May 31, 2018 audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the period ending May 31, 2019.

THE DEVELOPERS

In general, the activities of a landowner or developer in a municipal utility 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 roads 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 Commission to pave streets in areas where district facilities are being financed with bonds, 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 any developer nor any affiliate of a developer is obligated to pay principal of or interest on the Bonds. Furthermore, the developers have no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the developers should not be interpreted as such a commitment. Prospective 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.

Recent residential development has been conducted by several developers.

Woodmere Development Co., Ltd.

The developer of Ricewood Village, Sections 1 through 11, is Woodmere Development Co., Ltd., a Texas limited partnership ("Woodmere"), with Woodmere G.P. as its sole general partner. Long Lake, Ltd. (d.b.a. Foxwood Builder and Postwood Homes) is building homes in these sections at prices ranging from approximately \$160,000 to \$250,000. In 2014, Woodmere purchased approximately 100 acres of land in the District which it is developing as the single-family residential development of Westfield Ranch. Currently, Westfield Ranch, Sections 1 through 4 have been completed on 62 of such acres.

Plantation Interests, Ltd.

The developer of Plantation Lakes, Sections 3, 4, 7 through 9, 10, 16, and 20 through 24, and Brenwood, Sections 1 and 2, is Plantation Interests, Ltd., a Texas limited partnership ("Plantation"), with Academy Development as its general partner. Legend Homes and Camillo Properties are building homes, duplexes and quadraplexes in these sections at prices ranging from approximately \$120,000 to \$140,000. Plantation does not own any undeveloped land in the District.

Skymark Development Company, Inc.

The fee developer of Plantation Lakes, Sections 5, 17, 18 and 22, is Skymark Development Company, Inc., a Texas corporation. GreenECO Builders and Saratoga Homes are building homes in this section at prices ranging from approximately \$120,000 to \$220,000. Skymark Development owns approximately 28 acres of undeveloped land in the District.

BLG Plantation, LLC

The developer of Plantation Lakes, Section 14, is BLG Plantation, LLC a Texas limited partnership ("BLG"). Colina Homes and Megatel Homes are building homes in this section at prices ranging from approximately \$160,000 to \$200,000. BLG owns approximately 10 acres of undeveloped land in the District.

Other Landowners

Approximately 35 acres of undeveloped land in the District is owned by various landowners. No development is currently taking place upon this acreage.

THE SYSTEM

Regulation

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

Water, Sanitary Sewer and Drainage Facilities

Source of Water Supply: The District's water supply is provided by two water plants, which contain one 800 gallons per minute ("gpm") well ("Water Well No. 1"), 800,000 gallons of elevated storage tank capacity, 1,129,000 gallons of ground storage tank capacity, 35,000 gallons of hydropneumatic tank capacity, 9,600 gpm booster pump capacity and related appurtenant equipment, one remote 1,200 gpm well ("Water Well No. 2") and one 1,300 gpm well ("Water Well No. 3"). According to the Engineer, the District's water supply facilities are capable of serving 7,857 single-family equivalent connections ("ESFCs"). The District currently serves approximately 5,140 ESFCs. In addition, the District has emergency water interconnects with Northwest Harris County Municipal Utility District No. 12 and Harris County Municipal Utility District Nos. 105, 127, 239, and 284.

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

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

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

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

Source of Wastewater Treatment: The District owns a wastewater treatment facility (the “WWTP”) with a current capacity of 1,600,000 gallons per day (“gpd”) of treatment capacity. According to the District’s engineer, the WWTP is capable of serving approximately 6,400 ESFCs based on historical data based on a TCEQ approved flow rate of 250 gpd/ESFC. The District currently serves approximately 5,140 ESFCs.

100-Year Flood Plain: “Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the Federal Emergency Management Agency Flood Insurance Rate Map No. 48201C0605L dated June 18, 2007, the 100-year flood plain is contained within the banks of Bear Creek, with the exception of a small area, which is included in Plantation Lakes, Section 14, and was filled so that the lots are above the 100-year flood plain. The District has received a Letter of Map Revision (“LOMR”) from FEMA removing this area from the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

THE PARK SYSTEM

Proceeds from a portion of the Outstanding Bonds were used to finance the design, construction and land acquisition for Westfield Ranch Park and to finance landscaping improvements within the Westfield Ranch development.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
1/21/1984	Water, Sanitary Sewer and Drainage	\$41,210,000	\$5,920,000	\$0 (a)
5/15/2004	Water, Sanitary Sewer and Drainage	\$88,210,000	\$80,070,000 (b)	\$8,140,000
5/15/2004	Refunding Bonds	\$57,000,000	\$1,530,000 (c)	\$55,470,000 (c)
11/7/2006	Parks	\$9,000,000	\$2,535,000	\$6,465,000

- (a) 5/15/2004 bonds were voted in lieu of outstanding bonds from 1/21/84 election; therefore, no bonds remain authorized and unissued from such election.
- (b) Includes \$8,310,000 principal amount of the District’s Series 2019 Bonds which sold on April 29, 2019 and are scheduled to be issued on May 28, 2019.
- (c) Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2018 Certified Taxable Assessed Valuation.....	\$738,097,455 (a)
Estimated Taxable Assessed Valuation as of March 1, 2019.....	\$861,191,634 (b)

District Debt:

Outstanding Bonds	\$75,690,000 (c)
Less: Refunded Bonds.....	(5,560,000)
Plus: The Bonds	<u>5,805,000</u>
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$75,935,000

Ratios of Gross Direct Debt to:

2018 Certified Taxable Assessed Valuation	10.29%
Estimated Taxable Assessed Valuation as of March 1, 2019.....	8.82%

Area of District — 1,262 acres
Estimated 2019 Population — 14,888 (d)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on March 1, 2019. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."
- (c) Includes \$8,310,000 principal amount of the District's Series 2019 Bonds which sold on April 29, 2019 and are scheduled to be issued on May 28, 2019.
- (d) Based on 3.5 persons per single-family connection and 2.0 persons per multi-family, duplex, and quadraplex unit.

Cash and Investment Balances (unaudited as of April 17, 2019)

Operating Fund	Cash and Temporary Investments	\$6,467,481
Capital Projects Fund	Cash and Temporary Investments	\$488,590
Park Capital Projects Fund	Cash and Temporary Investments	\$263,792
Debt Service Fund	Cash and Temporary Investments	\$8,913,764 (a)

- (a) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund. Includes \$75,000 which will be applied towards the Bonds.

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Currently Outstanding</u>	<u>Refunded Bonds</u>	<u>Remaining Outstanding Bonds</u>
2009	\$ 11,930,000	\$ 425,000	\$ -	\$ 425,000
2011	6,460,000	5,860,000	5,560,000	300,000
2012	5,365,000	5,100,000	-	5,100,000
2013 (a)	4,325,000	3,040,000	-	3,040,000
2014	9,080,000	8,780,000	-	8,780,000
2015	10,200,000	8,925,000	-	8,925,000
2016 (a)	17,865,000	16,995,000	-	16,995,000
2018	17,405,000	16,555,000	-	16,555,000
2018A (b)	2,535,000	1,700,000	-	1,700,000
2019 (c)	8,310,000	8,310,000	-	8,310,000
Total	\$ 93,475,000	\$ 75,690,000	\$ 5,560,000	\$ 70,130,000
The Bonds				5,805,000
The Bonds and Remaining Outstanding Bonds				\$ 75,935,000

(a) Unlimited tax refunding bonds.

(b) Unlimited tax park bonds.

(c) The Series 2019 Bonds sold on April 29, 2019 and are scheduled to be issued on May 28, 2019 and are treated as being Outstanding Bonds for purposes of all calculations in this Official Statement.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities that include the territory in the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt allocable to the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,050,758,022	3/31/2019	0.16%	\$ 3,281,213
Harris County Flood Control District.....	83,075,000	3/31/2019	0.16%	132,920
Harris County Hospital District.....	57,300,000	3/31/2019	0.16%	91,680
Harris County Department of Education.....	6,320,000	3/31/2019	0.16%	10,112
Port of Houston Authority.....	593,754,397	3/31/2019	0.16%	950,007
Cy-Fair Independent School District.....	2,586,595,000	3/31/2019	1.43%	36,988,309
Lone Star College District.....	609,845,000	3/31/2019	0.38%	2,317,411
Total Estimated Overlapping Debt.....				\$ 43,771,651
The District.....	75,935,000 (a)	Current	100.00%	75,935,000
Total Direct and Estimated Overlapping Debt.....				\$ 119,706,651
Ratio of Estimated Direct and Overlapping Debt to 2018 Certified Taxable Assessed Valuation.....				16.22%
Ratio of Estimated Direct and Overlapping Debt to Estimated Taxable Assessed Valuation as of March 1, 2019.....				13.90%

(a) Includes the Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes for 2018

	2018 Tax Rate per \$100 of <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority	\$ 0.635170
Cypress-Fairbanks Independent School District	1.440000
Lone Star College System	0.107800
Harris County Emergency Services District No. 9	0.052710
The District	1.040000
Total Overlapping Tax Rate	\$ 3.275680

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Net Certified		Total Tax Levy	Total Collections as of March 31, 2019	
	Taxable Valuation	Tax Rate		Amount	Percent
2014	\$ 402,243,039	\$ 1.200	\$ 5,427,049	\$ 5,422,175	99.91%
2015	505,973,757	1.140	5,768,101	5,763,023	99.91%
2016	598,363,878	1.090	6,522,326	6,510,539	99.82%
2017	679,301,541	1.060	7,199,116	7,175,801	99.68%
2018	738,097,455	1.040	7,676,214	7,491,221	97.59%

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. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.80	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82
Maintenance and Operations	0.24	0.24	0.27	0.32	0.38
Total	\$ 1.04	\$ 1.06	\$ 1.09	\$ 1.14	\$ 1.20

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance and Operations: \$1.50 per \$100 of taxable assessed valuation.

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.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on August 8, 1992, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. In connection with the November 7, 2006, park election, the existing maintenance tax authorization was expanded to include maintenance of park and recreation facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2018 tax year, the Board levied a maintenance tax in the amount of \$0.24 per \$100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. The Developers have executed Waivers of Special Appraisal, waiving their right to claim any agriculture or open space exemptions or any other type of exemption or valuation for the property they own within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

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 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to Title I the Texas Tax Code.

Summary of Assessed Valuation

The following summary of the 2018, 2017 and 2016 Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2018, 2017 and 2016 tax rolls of the District. Differences in totals may vary slightly from other information herein due to differences in dates of data. A breakdown related to the Estimated Taxable Assessed Valuation as of March 1, 2019, of \$861,191,634, is not available from the Appraisal District.

	2018	2017	2016
Land	\$ 177,457,640	\$ 167,133,836	\$ 153,809,511
Improvements	616,877,131	572,588,145	510,795,344
Personal Property	18,999,054	17,632,675	17,504,449
Exemptions	(75,236,370)	(78,053,115)	(83,745,426)
Total	<u>\$ 738,097,455</u>	<u>\$ 679,301,541</u>	<u>\$ 598,363,878</u>

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2018 Certified Taxable Assessed Valuation of \$738,097,455. This represents ownership as of January 1, 2018. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of March 1, 2019, of \$861,191,634, is not available from the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018 Certified Taxable Assessed Valuation</u>	<u>% of 2018 Certified Taxable Assessed Valuation</u>
Commons at Holly Hock Ltd.	Commercial & Reserves	\$ 50,463,565	6.84%
Camillo A 1 Property Owner LLC (a)	Lots and Homes	26,954,485	3.65%
Trail Horse Partners LLC	Commercial	18,394,230	2.49%
Wal-mart Stores Texas LP	Commercial	12,721,254	1.72%
Camillo Properties Ltd.	Land and Improvements	11,494,806	1.56%
Camillo Houses CV 1 LLC (a)	Lots and Homes	8,638,760	1.17%
Camillo B Houses No. 2 LLC (a)	Lots and Homes	7,884,212	1.07%
TJO TX MN LLC	Commercial	5,897,837	0.80%
American Homes 4 Rent (a)	Lots and Homes	4,762,918	0.65%
Camillo Houses No. 7 LLC (a)	Lots and Homes	4,524,329	0.61%
Total		<u>\$ 151,736,396</u>	<u>20.56%</u>

(a) Related entities. Consists of single-family homes being leased to residents in the District.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Certified Taxable Assessed Valuation or Estimated Taxable Assessed Valuation as of March 1, 2019, no use of available funds, and utilize tax rates necessary to pay the District's average annual debt service requirements and maximum annual debt service requirements on the Remaining Outstanding Bonds and the Bonds.

Average annual debt service requirement (2019-2039)	\$4,988,154
\$0.72 tax rate on the 2018 Certified Taxable Assessed Valuation	
of \$738,097,455 at a 95% collection rate produces	\$5,048,587
\$0.61 tax rate on the Estimated Taxable Assessed Valuation as of March 1, 2019	
of \$861,191,634 at a 95% collection rate produces	\$4,990,606
Maximum annual debt service requirement (2020)	\$6,475,275
\$0.93 tax rate on the 2018 Certified Taxable Assessed Valuation	
of \$738,097,455 at a 95% collection rate produces	\$6,521,091
\$0.80 tax rate on the Estimated Taxable Assessed Valuation as of March 1, 2019	
of \$861,191,634 at a 95% collection rate produces	\$6,545,056

No representation or suggestion is made that the estimates of values of land and improvements provided by the Appraisal District as of March 1, 2019 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 "TAX PROCEDURES."

TAX 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 Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes that 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 and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas 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 approves 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 was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the

disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if 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 a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. 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. See "TAX DATA."

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%) 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.

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 fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to 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 area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, 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.

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

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. 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, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2018." 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 (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

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 an 11-month period ending May 31, 2015, audited financial statements for the fiscal year ending May 31 in the case of 2016 through 2018, and an unaudited summary for the period ended February 28, 2019 from the District's bookkeeper. Reference is made to such statements and records for further and more complete information.

	6/1/18 to 2/28/19 (a)	Fiscal Year Ended May 31			7/1/2014 to 5/31/15 (e)
		2018	2017	2016	
REVENUES:					
Property Taxes	\$ 1,580,648	\$ 1,635,466	\$ 1,614,672	\$ 1,621,474	\$ 1,503,251
Water Service	943,285	1,054,841	1,050,080	926,589	839,733
Wastewater Service	1,177,741	1,479,683	1,390,989	1,257,934	1,052,495
Regional Water Authority Fees	808,901	1,024,205	851,797	744,933	543,493
Penalty and Interest	146,756	95,289	98,642	108,336	104,065
Sales Tax Revenue	231,972	297,154	300,354	327,660	228,454
Tap Connection and Inspection Fees	162,480	477,581	899,861	670,520	962,705
Investment Revenues	60,778	47,671	45,739	25,393	16,265
Miscellaneous Revenues	2,378,969	112,488	151,014	121,622	86,325
TOTAL REVENUES	\$ 7,491,529	\$ 6,224,378	\$ 6,403,148	\$ 5,804,461	\$ 5,336,786
EXPENDITURES:					
Professional Fees	\$ 277,467	\$ 380,292	\$ 365,956	\$ 242,112	\$ 176,789
Contracted Services	1,238,786	1,576,305	1,461,161	1,373,617	1,145,013
Parks and Recreation	320,132	236,299	177,307	138,834	132,658
Utilities	259,952	303,778	296,601	268,516	238,633
Repairs and Maintenance	1,016,446	572,851	468,599	352,615	341,646
Regional Water Authority Assessment	904,700	1,130,143	1,042,074	792,556	593,133
Other	242,651	851,623	948,009	780,451	845,518
Bond Issuance Costs	-	46,225	47,750	-	-
Capital Outlay	597,962	3,607,532 (b)	2,550,295 (d)	1,032,308	150,007
TOTAL EXPENDITURES	\$ 4,858,098	\$ 8,705,048	\$ 7,357,752	\$ 4,981,009	\$ 3,623,397
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,633,431	\$ (2,480,670)	\$ (954,604)	\$ 823,452	\$ 1,713,389
OTHER FINANCING SOURCES (USES)					
Transfers In/(Out)	\$ -	\$ 26	\$ (755,376)	\$ 59,738	\$ -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AD OTHER FINANCING SOURCES (USES)	\$ 2,633,431	\$ (2,480,644)	\$ (1,709,980)	\$ 883,190	\$ 1,713,389
BEGINNING FUND BALANCE	\$ 3,144,147	\$ 5,624,791 (c)	\$ 7,520,423	\$ 6,637,233	\$ 4,923,844
ENDING FUND BALANCE	\$ 5,777,578	\$ 3,144,147	\$ 5,810,443	\$ 7,520,423	\$ 6,637,233

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

(b) Includes funds for Developer reimbursement and remaining expenses related to the completion of the wastewater treatment plant expansion.

(c) The amount recorded for builder deposits in the fiscal year ended May 31, 2018 was incorrect. The effect of the prior period adjustment is a decrease to the General Fund balance of \$185,724.

(d) Includes expenses related to wastewater treatment plant expansion, improvements to Water Plant No. 1 and Water Well No. 2, and landscaping, lights and security improvements for District facilities. Approximately \$2,100,000 in proceeds from the Series 2018 Bonds were reimbursed to the operating fund for previous expenditures related to Water Plant No. 1 and Water Well No. 2 improvements.

(e) Represents audited financial statements for an 11-month period.

INVESTMENT CONSIDERATIONS

General

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

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, the most recent of which was Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

The District's System did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. However, approximately ten homes within the District experienced flooding as a result of the storm. Otherwise, there have been no reports of structural flooding or other material damage to taxable improvements within the District.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of commercial, retail, multi-family and single-family residences and of developed lots. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for commercial and multi-family projects and residential lots of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties 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.

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 26 miles from the central downtown business district of the City, 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 real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of or reduce the District's property tax base.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers or any 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 tracts of land or developed lots 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.

Impact on District 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 District property owners to pay their taxes. The 2018 Certified Taxable Assessed Valuation of the District is \$738,097,455 (see "FINANCIAL STATEMENT (UNAUDITED)"). After issuance of the Bonds, the maximum annual debt service requirement will be \$6,475,275 (2020) and the average annual debt service requirement will be \$4,988,154 (2019-2039). See "DEBT SERVICE REQUIREMENTS". Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.93 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$6,475,275 and a tax rate of \$0.72 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$4,988,154. The Estimated Taxable Assessed Valuation as of March 1, 2019 within the District is \$861,191,634. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of March 1, 2019 and no use of funds other than tax collections, tax rates of \$0.80, and \$0.61 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirements, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of March 1, 2019, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$8,140,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the water, sewer and drainage facilities, the remaining \$55,470,000 principal amount of unlimited tax bonds authorized but unissued for refunding purposes, and \$6,465,000 principal amount of unlimited tax bonds authorized but unissued for constructing or acquiring park facilities. See "THE BONDS—Issuance of Additional Debt." In addition, the District may issue additional bonds approved by the District voters in future elections. The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities and park facilities must be approved by the Commission.

After reimbursement from sale of the Series 2019 Bonds, the developers will have collectively expended approximately \$1,500,000 (as of April 1, 2019) for design, construction and acquisition of District utilities not yet reimbursed and no remaining costs (as of April 1, 2019) for design, construction and acquisition of District park and recreational facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse these developers for these costs to the extent allowed by the Commission. Additionally, the District contains approximately 80 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve the undeveloped acreage within the District. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolution, or if it 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 Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

Notwithstanding noncompliance by a district with Texas law requirements, the 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.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability 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.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P and “A2” (stable outlook) by Moody’s. See “MUNICIPAL BOND INSURANCE.”

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “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..

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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019, and will conclude on May 27, 2019. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform as an emergency item for the legislative session, with the result that any property tax reform legislation may become effective within the first 60 days of the legislative session. In addition, the Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, 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 Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes 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 “PLAN OF FINANCING—Escrow Agreement” and “—Defesance of Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “THE BONDS—Strategic Partnership Agreement,” “TAX 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.

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

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.

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, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) interest 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 Underwriter with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. In addition, the District will rely on the report of Public Finance Partners LLC, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or report 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.

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 an 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 Underwriter 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 District has designated the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2019 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2019.

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, 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 Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "A3" to the Bonds. An explanation of the ratings may be obtained from the company furnishing each rating.

The rating reflects only the view of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At March 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,054 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

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

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

SALE AND DISTRIBUTION OF THE BONDS

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter"), pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$5,758,460.47 (representing the principal amount of the Bonds, \$5,805,000.00, plus a net premium on the Bonds of \$675.85, less an Underwriter's discount of \$47,215.38), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING."

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at yields lower than the public offering yield stated on the cover page hereof. The initial offering yield may be changed at any time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering 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 - allot or effect transactions that 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 utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the payment of the Refunded Bonds; (b) the mathematical computations of yield; and (c) compliance with City of Houston Ordinance No. 97-416.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

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 in the District, 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

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

“THE DISTRICT” – Pape-Dawson Engineers (“Engineer”), and Records of the District (“Records”); “THE DEVELOPERS” – the Developers; “THE SYSTEM” - Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT (UNAUDITED)” - Harris County Appraisal District and Assessments of the Southwest, Inc., Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - Assessments of the Southwest, Inc., Tax Assessor/Collector; “MANAGEMENT” - District Directors; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS,” “TAX PROCEDURES,” and “LEGAL MATTERS” - Allen Boone Humphries Robinson LLP.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, 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.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Pape-Dawson Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District’s audited financial statements for the fiscal year ending May 31, 2018 have been prepared by McCall Gibson Swedlund Barfoot PLLC. See “APPENDIX A” for a copy of the District’s May 31, 2018, audited financial statements.

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as experts in the 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 of Directors 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT (UNAUDITED)," "TAX DATA," "THE SYSTEM," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS," and "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019. If audited financial statements are not complete within such period, then the District will provide unaudited financial statements within such six month period, 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 May 31. Accordingly, it must provide updated information by November 30 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.

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final 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 17CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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, operational 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 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 the 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 holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the 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 Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 167 of Harris County, Texas, as of the date shown on the cover page.

/s/ Verneath Louise Hronas

President, Board of Directors
Harris County Municipal Utility District No. 167 of
Harris County, Texas

ATTEST:

/s/ Juan Pablo Medrano

Secretary, Board of Directors
Harris County Municipal Utility District No. 167 of
Harris County, Texas

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of March 2019)



HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 167



N. FRY RD.

BARKER CYPRESS RD.

**PHOTOGRAPHS OF THE DISTRICT
(Taken March 2019)**















APPENDIX A

Financial Statement of the District for the year ended May 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 167
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 167 (the "District"), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 19, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

Management's discussion and analysis of Harris County Municipal Utility District No. 167's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

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

FUND FINANCIAL STATEMENTS

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$6,508,476 as of May 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services. The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017*</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 14,362,225	\$ 15,434,974	\$ (1,072,749)
Capital Assets (Net of Accumulated Depreciation)	<u>65,360,975</u>	<u>54,847,189</u>	<u>10,513,786</u>
Total Assets	<u>\$ 79,723,200</u>	<u>\$ 70,282,163</u>	<u>\$ 9,441,037</u>
Deferred Outflows of Resources	<u>\$ 1,482,580</u>	<u>\$ 1,597,987</u>	<u>\$ (115,407)</u>
Due to Developer	\$ 20,598,038	\$ 7,337,575	\$ (13,260,463)
Long -Term Liabilities	51,614,748	53,547,632	1,932,884
Other Liabilities	<u>2,484,518</u>	<u>2,909,001</u>	<u>424,483</u>
Total Liabilities	<u>\$ 74,697,304</u>	<u>\$ 63,794,208</u>	<u>\$ (10,903,096)</u>
Net Position:			
Net Investment in Capital Assets	\$ (5,369,231)	\$ (4,440,005)	\$ (929,226)
Restricted	8,576,482	6,733,475	1,843,007
Unrestricted	<u>3,301,225</u>	<u>5,792,472</u>	<u>(2,491,247)</u>
Total Net Position	<u>\$ 6,508,476</u>	<u>\$ 8,085,942</u>	<u>\$ (1,577,466)</u>

The following table provides a summary of the District's operations for the year ending May 31, 2018, and May 31, 2017. The District's net position decreased by \$1,577,466.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017*</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 7,222,683	\$ 6,535,654	\$ 687,029
Charges for Services	4,171,923	4,354,131	(182,208)
Sales Tax Revenue	297,154	300,354	(3,200)
Other Revenues	<u>243,015</u>	<u>236,435</u>	<u>6,580</u>
Total Revenues	<u>\$ 11,934,775</u>	<u>\$ 11,426,574</u>	<u>\$ 508,201</u>
Expenses for Services	<u>13,512,241</u>	<u>8,545,820</u>	<u>(4,966,421)</u>
Change in Net Position	<u>\$ (1,577,466)</u>	<u>\$ 2,880,754</u>	<u>\$ (4,458,220)</u>
Net Position, Beginning of Period	<u>8,085,942</u>	<u>5,205,188</u>	<u>2,880,754</u>
Net Position, End of Period	<u>\$ 6,508,476</u>	<u>\$ 8,085,942</u>	<u>\$ (1,577,466)</u>

* As Adjusted, See Note 16

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2018, were \$11,984,343, a decrease of \$668,558 from the prior period.

The General Fund fund balance decreased by \$2,480,644 primarily due to capital outlay costs paid exceeding property tax and service revenues. A portion of these capital costs will be reimbursed from future bond sales.

The Debt Service Fund fund balance increased by \$1,812,112, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$26.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current period. Actual revenues were \$211,638 lower than budgeted, primarily due to lower than expected tap connection and inspection revenues, water authority fees and penalty and interest revenues. Actual expenditures were \$2,084,671 higher than budgeted, primarily due to the timing of capital expenditures.

CAPITAL ASSETS

Capital assets as of May 31, 2018, total \$65,360,975 (net of accumulated depreciation and include land, as well as the water, wastewater, drainage and recreational facilities). Significant capital asset activity during the current year included water, sewer and drainage facilities to serve Brenwood South, Section 1, Plantation Lakes, Sections 21, 22 and 23, Villages of Bear Creek, Sections 2, 4 and 5, Westfield Ranch, Sections 1 and 2, Westfield Ranch lift station, Westfield Ranch Park streetscape and hardscape improvements as well as land acquisition costs, submersible pumps, soft starter and breaker, auto dialer and other improvements to the District's facilities. Construction in progress includes water plant no. 1 and water well no. 2 improvements and wastewater treatment plant expansion, phases 3 and 4.

Capital Assets At Period-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 617,389	\$ 388,225	\$ 229,164
Construction in Progress	8,315,360	5,449,210	2,866,150
Capital Assets, Net of Accumulated Depreciation:			
Water System	16,280,449	16,040,883	239,566
Wastewater System	18,647,908	17,062,770	1,585,138
Drainage System	18,431,273	14,498,315	3,932,958
Recreational Facilities	3,068,596	1,407,786	1,660,810
Total Net Capital Assets	<u>\$ 65,360,975</u>	<u>\$ 54,847,189</u>	<u>\$ 10,513,786</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

LONG-TERM DEBT ACTIVITY

As of May 31, 2018, the District had total bond debt payable of \$51,085,000. The changes in the debt position of the District during the year ended May 31, 2018, are summarized as follows:

Bond Debt Payable, June 1, 2017	\$ 52,980,000
Less: Bond Principal Paid	<u>1,895,000</u>
Bond Debt Payable, May 31, 2018	<u>\$ 51,085,000</u>

The District's bonds carry an underlying rating of "A3" and insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual, Assured Guaranty Municipal or Assured Guaranty Municipal Corp. The above ratings reflect all rating changes, if any, during the fiscal year ended May 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 167, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 430,691	\$ 106,997
Investments	4,106,034	8,784,078
Receivables:		
Property Taxes	51,098	148,590
Penalty and Interest on Delinquent Taxes		
Service Accounts	374,657	
Accrued Interest	13,145	18,320
Other	6,000	
Due from Other Funds	53,416	
Prepaid Costs	105,242	
Due from Other Governmental Units	74,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,214,283	\$ 9,057,985
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,214,283	\$ 9,057,985

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 537,688	\$	\$ 537,688
12,890,112		12,890,112
199,688		199,688
	37,393	37,393
374,657		374,657
31,465		31,465
6,000		6,000
53,416	(53,416)	
105,242	105,980	211,222
74,000		74,000
	617,389	617,389
	8,315,360	8,315,360
	<u>56,428,226</u>	<u>56,428,226</u>
<u>\$ 14,272,268</u>	<u>\$ 65,450,932</u>	<u>\$ 79,723,200</u>
<u>\$ - 0 -</u>	<u>\$ 1,482,580</u>	<u>\$ 1,482,580</u>
<u>\$ 14,272,268</u>	<u>\$ 66,933,512</u>	<u>\$ 81,205,780</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 895,659	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		53,416
Due to Taxpayers		15,783
Security Deposits	1,027,150	
Unearned Tap Revenue	96,229	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 2,019,038	\$ 69,199
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 51,098	\$ 148,590
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 105,242	\$
Restricted for Debt Service		8,840,196
Unassigned	3,038,905	
TOTAL FUND BALANCES	\$ 3,144,147	\$ 8,840,196
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,214,283	\$ 9,057,985
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 895,659	\$	\$ 895,659
	449,697	449,697
	20,598,038	20,598,038
53,416	(53,416)	
15,783		15,783
1,027,150		1,027,150
96,229		96,229
	1,960,000	1,960,000
	<u>49,654,748</u>	<u>49,654,748</u>
<u>\$ 2,088,237</u>	<u>\$ 72,609,067</u>	<u>\$ 74,697,304</u>
<u>\$ 199,688</u>	<u>\$ (199,688)</u>	<u>\$ - 0 -</u>
\$ 105,242	\$ (105,242)	\$
8,840,196	(8,840,196)	
<u>3,038,905</u>	<u>(3,038,905)</u>	
<u>\$ 11,984,343</u>	<u>\$ (11,984,343)</u>	<u>\$ - 0 -</u>
<u>\$ 14,272,268</u>		
	\$ (5,369,231)	\$ (5,369,231)
	8,576,482	8,576,482
	<u>3,301,225</u>	<u>3,301,225</u>
	<u>\$ 6,508,476</u>	<u>\$ 6,508,476</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2018

Total Fund Balances - Governmental Funds \$ 11,984,343

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 1,482,580

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. 105,980

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 65,360,975

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. 237,081

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (20,598,038)	
Accrued Interest Payable	(449,697)	
Bonds Payable	<u>(51,614,748)</u>	<u>(72,662,483)</u>

Total Net Position - Governmental Activities \$ 6,508,476

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,635,466	\$ 5,574,915
Water Service	1,054,841	
Wastewater Service	1,479,683	
Water Authority Fees	1,024,205	
Penalty and Interest	95,289	38,406
Sales Tax Revenue	297,154	
Tap Connection and Inspection Fees	477,581	
Investment Revenues	47,671	82,856
Miscellaneous Revenues	112,488	
TOTAL REVENUES	\$ 6,224,378	\$ 5,696,177
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 380,292	\$ 17,269
Contracted Services	1,576,305	124,475
Parks and Recreation	236,299	
Utilities	303,778	
Repairs and Maintenance	572,851	
Water Authority Assessment	1,130,143	
Depreciation		
Other	851,623	7,810
Conveyance of Assets		
Capital Outlay	3,607,532	
Debt Service:		
Bond Principal		1,895,000
Bond Interest		1,839,511
Bond Issuance Costs	46,225	
TOTAL EXPENDITURES/EXPENSES	\$ 8,705,048	\$ 3,884,065
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (2,480,670)	\$ 1,812,112
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 26	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ (2,480,644)	\$ 1,812,112
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2017, AS ADJUSTED	5,624,791	7,028,084
FUND BALANCES/NET POSITION - MAY 31, 2018	\$ 3,144,147	\$ 8,840,196

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 7,210,381	\$ 12,302	\$ 7,222,683
	1,054,841		1,054,841
	1,479,683		1,479,683
	1,024,205		1,024,205
	133,695	1,918	135,613
	297,154		297,154
	477,581		477,581
	130,527		130,527
	112,488		112,488
<u>\$ - 0 -</u>	<u>\$ 11,920,555</u>	<u>\$ 14,220</u>	<u>\$ 11,934,775</u>
\$	\$ 397,561	\$	\$ 397,561
	1,700,780		1,700,780
	236,299		236,299
	303,778		303,778
	572,851	52,449	625,300
	1,130,143		1,130,143
		3,622,673	3,622,673
	859,433		859,433
		2,679,088	2,679,088
	3,607,532	(3,607,532)	
	1,895,000	(1,895,000)	
	1,839,511	71,450	1,910,961
	46,225		46,225
<u>\$ - 0 -</u>	<u>\$ 12,589,113</u>	<u>\$ 923,128</u>	<u>\$ 13,512,241</u>
<u>\$ - 0 -</u>	<u>\$ (668,558)</u>	<u>\$ (908,908)</u>	<u>\$ (1,577,466)</u>
<u>\$ (26)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
\$ (26)	\$ (668,558)	\$ 668,558	\$
		(1,577,466)	(1,577,466)
<u>26</u>	<u>12,652,901</u>	<u>(4,566,959)</u>	<u>8,085,942</u>
<u>\$ - 0 -</u>	<u>\$ 11,984,343</u>	<u>\$ (5,475,867)</u>	<u>\$ 6,508,476</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018

Net Change in Fund Balances - Governmental Funds	\$ (668,558)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	12,302
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,918
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(3,622,673)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	875,995
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,895,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(71,450)</u>
Change in Net Position - Governmental Activities	<u>\$ (1,577,466)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 167, of Harris County, Texas (the “District”), was created effective July 25, 1978, by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate, and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on January 4, 1984 and sold its first series of bonds on March 30, 2004.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements, and preservation costs that

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees, and certain other costs are capitalized as part of the asset.

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT

	<u>Series 2009</u>	<u>Series 2011</u>	<u>Series 2012</u>
Amounts Outstanding – May 31, 2018	\$ 825,000	\$ 5,960,000	\$ 5,150,000
Interest Rates	4.75%	4.00% - 6.50%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2019	September 1, 2018/2035	September 1, 2018/2037
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018 (1)	September 1, 2019 (1)	September 1, 2020 (1)
	<u>Refunding Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>
Amounts Outstanding – May 31, 2018	\$ 3,365,000	\$ 8,880,000	\$ 9,350,000
Interest Rates	2.00% - 3.50%	4.00% - 4.125%	2.00% - 3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2026	September 1, 2018/2039	September 1, 2018/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020 (1)	September 1, 2022 (1)	September 1, 2023 (1)
	<u>Refunding Series 2016</u>		
Amounts Outstanding – May 31, 2018	\$ 17,555,000		
Interest Rates	2.00% - 5.00%		
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2031		
Interest Payment Dates	September 1/ March 1		
Callable Dates	September 1, 2023 (1)		

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

(1) Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2011 term bonds maturing on September 1, 2021, September 1, 2023, September 1, 2025, September 1, 2028, September 1, 2031, September 1, 2033, and September 1, 2035, are subject to mandatory redemption on September 1, 2020, September 1, 2022, September 1, 2024, September 1, 2026, September 1, 2029, September 1, 2032, and September 1, 2034, respectively. Series 2012 term bonds maturing on September 1, 2023, September 1, 2027, September 1, 2031, September 1, 2033, September 1, 2035, and September 1, 2037, are subject to mandatory redemption on September 1, 2021, September 1, 2024, September 1, 2028, September 1, 2032, September 1, 2034, and September 1, 2036, respectively. Series 2014 term bonds maturing on September 1, 2027, September 1, 2029, September 1, 2031, September 1, 2033, and September 1, 2035, are subject to mandatory redemption on September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032, and September 1, 2034.

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2018:

	June 1, 2017	Additions	Retirements	May 31, 2018
Bonds Payable	\$ 52,980,000	\$	\$ 1,895,000	\$ 51,085,000
Unamortized Discounts	(336,365)		(37,188)	(299,177)
Unamortized Premiums	903,997		75,072	828,925
Bonds Payable, Net	<u>\$ 53,547,632</u>	<u>\$ -0-</u>	<u>\$ 1,932,884</u>	<u>\$ 51,614,748</u>
			Amount Due Within One Year	\$ 1,960,000
			Amount Due After One Year	49,654,748
			Bonds Payable, Net	<u>\$ 51,614,748</u>

At a bond election held within the District on January 21, 1984, the voters of the District authorized the issuance of \$41,210,000 principal amount of unlimited tax bonds. The District previously issued \$5,920,000 of Series 2004 unlimited tax bonds. At a second bond election held within the District on May 15, 2004, the voters of the District authorized the issuance of \$88,210,000 principal amount of unlimited tax bonds and cancelled the remaining authorized but unissued bonds from the first bond election. As of May 31, 2018, the District had authorized but unissued bonds in the amount of \$33,855,000 for water, sanitary sewer and drainage bonds, \$55,715,000 for refunding bonds and \$9,000,000 for parks and recreational facility bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

As of May 31, 2018, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 1,960,000	\$ 1,767,388	\$ 3,727,388
2020	2,010,000	1,703,669	3,713,669
2021	2,055,000	1,642,944	3,697,944
2022	2,105,000	1,572,449	3,677,449
2023	2,170,000	1,486,232	3,656,232
2024-2028	11,925,000	6,390,193	18,315,193
2029-2033	12,380,000	4,350,465	16,730,465
2034-2038	13,430,000	1,870,735	15,300,735
2039-2040	3,050,000	121,936	3,171,936
	<u>\$ 51,085,000</u>	<u>\$ 20,906,011</u>	<u>\$ 71,991,011</u>

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

During the year ended May 31, 2018, the District levied an ad valorem debt service tax rate of \$0.82 per \$100 of assessed valuation, which resulted in a tax levy of \$5,594,628 on the adjusted taxable valuation of \$682,271,721 for the 2017 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

- Levy Date - October 1, or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Upon receipt but not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that any profits received from the investment of any money in any fund or account created by the resolution shall be placed into such fund or account of the District.

The bond resolutions state that the District is required to provide continuing disclosure of annual financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. The information, along with the audited annual financial statements, is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each use.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year end, the carrying amount of the District's deposits was \$6,677,688 and the bank balance was \$6,794,901. The District was not exposed to custodial credit risk at year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 430,691	\$ 3,120,000	\$ 3,550,691
DEBT SERVICE FUND	106,997	3,020,000	3,126,997
TOTAL DEPOSITS	\$ 537,688	\$ 6,140,000	\$ 6,677,688

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas Class. As of May 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 986,034	\$ 986,034
Certificates of Deposit	3,120,000	3,120,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	5,764,078	5,764,078
Certificates of Deposit	3,020,000	3,020,000
TOTAL INVESTMENTS	\$12,890,112	\$ 12,890,112

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2018, the District’s investments in Texas CLASS were rated AAAM by Standard and Poor’s. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

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

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2018:

	June 1, 2017	Increases	Decreases	May 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 388,225	\$ 229,164	\$	\$ 617,389
Construction in Progress	5,449,210	14,136,459	11,270,309	8,315,360
Total Capital Assets Not Being Depreciated	<u>\$ 5,837,435</u>	<u>\$ 14,365,623</u>	<u>\$ 11,270,309</u>	<u>\$ 8,932,749</u>
Capital Assets Subject to Depreciation				
Water System	\$ 19,858,021	\$ 1,149,971	\$	\$ 21,007,992
Wastewater System	22,037,483	2,713,353		24,750,836
Drainage System	17,548,396	5,316,336		22,864,732
Recreational Facilities	2,537,675	1,861,485		4,399,160
Total Capital Assets Subject to Depreciation	<u>\$ 61,981,575</u>	<u>\$ 11,041,145</u>	<u>\$ - 0 -</u>	<u>\$ 73,022,720</u>
Accumulated Depreciation				
Water System	\$ 3,817,138	\$ 910,405	\$	\$ 4,727,543
Wastewater System	4,974,713	1,128,215		6,102,928
Drainage System	3,050,081	1,383,378		4,433,459
Recreational Facilities	1,129,889	200,675		1,330,564
Total Accumulated Depreciation	<u>\$ 12,971,821</u>	<u>\$ 3,622,673</u>	<u>\$ - 0 -</u>	<u>\$ 16,594,494</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,009,754</u>	<u>\$ 7,418,472</u>	<u>\$ - 0 -</u>	<u>\$ 56,428,226</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 54,847,189</u>	<u>\$ 21,784,095</u>	<u>\$ 11,270,309</u>	<u>\$ 65,360,975</u>

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance.

NOTE 7. MAINTENANCE TAX

On August 8, 1992, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. On November 7, 2006, the voters of the District approved expanding the use of the maintenance tax for the purpose of planning, constructing, acquiring, maintaining, repairing, and operating parks and recreational facilities. During the year ended May 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.24 per \$100 of assessed valuation, which resulted in a tax levy of \$1,637,452 on the adjusted taxable valuation of \$682,271,721 for the 2017 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. UNREIMBURSED DEVELOPER COSTS

Developers within the District have constructed certain water, sewer, and drainage facilities within the District. The District has agreed to reimburse the Developers for certain construction and related engineering costs plus interest at an interest rate no greater than the interest rate on the bond issue. Any future reimbursement from bond proceeds is contingent upon receiving approval from the Texas Commission on Environmental Quality, the Attorney General of the State of Texas and the actual sale of bonds. The District has recorded \$20,598,038 as a liability for completed projects in the Statement of Net Position. This liability will be reimbursed from future bond sales.

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS

Northwest Harris County Municipal Utility District No. 12

On May 15, 1985, the District executed an Emergency Water Supply Contract with Northwest Harris County Municipal Utility District No. 12 (“District No. 12”) and between the respective Developers within each district. Each district agreed to share in the cost of the interconnect facilities; however, since each district was without available funds for this purpose, each district's respective Developer agreed to advance funds for the interconnect until such time as funds become available from future bond issues. Charges for water supplied are based upon the charges within each district that would be charged a residential user, provided that water supplied longer than a temporary period shall be at one and one-half times the normal rate. On January 16, 1995, the District executed a First Amendment of Emergency Water Supply Contract with District No. 12. This amendment extends the term of the original contract 20 years, expiring on May 15, 2015. On January 16, 2008, the District executed a Second Amendment of Emergency Water Supply Contract with District No. 12. This amendment established a second point of interconnect between the districts, provides for a well pumpage fee and extends the Contract forty years from May 15, 2015.

Harris County Municipal Utility District No. 284

On January 31, 1986, the District executed an Emergency Water Supply Contract with Harris County Municipal Utility District No. 284 (“District No. 284”) and with the respective Developers within each district. District No. 284 agreed to supervise the construction of a portion of the interconnect lines and the meter vault and the District agreed to construct that portion of the line on the District's side of the vault; however, since each district was without available funds for this purpose, each district's respective Developer agreed to advance funds for the interconnect until such time as funds become available from future bond issues. Charges for water supplied are based upon the charges within each district that would be charged a residential user, provided that water supplied longer than a temporary period shall be at one and one-half times the normal rate. The term of this contract is 40 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)

Harris County Municipal Utility District Nos. 127 and 239

On September 24, 1990, the District executed an Emergency Water Supply Contract with Harris County Municipal Utility District No. 239 (“District No. 239”) and Harris County Municipal Utility District No. 127 (“District No. 127”). District No. 239 has constructed facilities to connect with the District's facilities. District No. 127 and District No. 239 are responsible for maintenance of the interconnect facilities on a joint basis with each responsible for 50% of any cost. The contract provided for District No. 127 to lend monies to the District for the purpose of activating the District's system in an emergency. Charges for water supplied were to be based upon the charges within each district that would be charged a residential user. The term of this agreement is 40 years.

On July 31, 1995, the District executed a First Amendment to Emergency Water Supply Contract with District No. 127 and District No. 239, effective May 23, 1995. This amendment revised the rates for water provided during an emergency beyond the temporary period at the rate of \$1.06 per 1,000 gallons of water provided.

On November 6, 2002, a Second Amendment to Emergency Water Supply Contract was executed. The Amendment provides for the charge for water during an emergency to be \$0.70 per thousand gallons of water usage. This agreement also makes provision for the cost of water in the situation where the supplying district has to purchase water from another district to meet the emergency demand or if the supplying district is using surface water and the cost of water is higher than the above rate.

Effective May 1, 2004, the District approved the Third Amendment to the Emergency Water Supply Contract. This amendment provided for a second point of interconnect between the water systems of the respective districts. In addition, the amendment provided for a method to estimate flows through the interconnect to the respective districts for future billings.

Harris County Municipal Utility District No. 105

On August 17, 2011, the District entered into an Emergency Interconnect and Interim Water Supply Agreement with Harris County Municipal Utility District No. 105 (“District No. 105”). At the time the agreement was entered into, District No. 105 was pursuing and implementing modifications to its water wells. The design and construction period has been completed and the interim water supply portion of the agreement no longer applies. The agreement now only functions for the purpose of emergency interconnect usage between the districts and any water supplied during an emergency will be billed at a rate of \$1.00 per 1,000 gallons of water used plus any pumpage fee or other regulatory fees imposed on the district supplying the water. The term of this agreement is 50 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59, of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

A nine-member board of directors governs the Authority. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee will enable the Authority to fulfill its purposes and regulatory functions. As of May 31, 2018, the fee being charged is \$2.70 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$1,130,143 for fees assessed during the year ended May 31, 2018.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the “City”). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

Upon the limited purpose annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract on the receipts from the sale and use at retail locations therein of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller’s office. During the current fiscal year, the District received \$297,154 in sales tax revenue from the City, of which \$74,000 was recorded as receivable.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. INTERFUND LOANS AND TRANSFERS

As of May 31, 2018, the District recorded interfund payables of \$53,416 in the Debt Service Fund to the General Fund for maintenance tax collections. The Capital Projects Fund also transferred \$26 to the General Fund.

NOTE 14. ADVANCE REFUNDING BOND SALE

In a prior year, the District closed on the sale of its \$17,865,000 Series 2016 Unlimited Tax Refunding Bonds. The net proceeds of \$17,925,668 were used to refund the Series 2007 and Series 2009 bonds in the amount of \$7,855,000 and \$8,725,000, respectively. As a result, the liability for those bonds has been removed from the Statement of Net Position. The effect of the refunding was to obtain gross debt service savings of \$2,377,397 and net present value savings of \$1,759,162. At year-end, the outstanding balance of bonds totaled \$8,725,000, with a callable date of September 1, 2018, maturities of 2020-2028, 2031, and interest rates of 4.75%-6.00%.

NOTE 15. SUBSEQUENT EVENT - BOND SALES

Subsequent to year-end, on July 19, 2018, the District closed on the sale of its \$17,405,000 Unlimited Tax Bonds, Series 2018. The District will use the proceeds to reimburse the Developer for water, wastewater and drainage facilities to serve Brenwood South, Section 1, Plantation Lakes, Sections 20-22, Villages of Bear Creek, Sections 2, 4 and 5, Westfield Ranch, Section 1, as well as District projects, including; Bear Creek channel improvements, Water Plant No. 1 and Water Well No. 2 improvements as well as engineering, geotechnical services and storm water pollution prevention. Additional proceeds will be used to pay for the costs of issuing the bonds.

Subsequent to year-end, on July 19, 2018, the District closed on the sale of its \$2,535,000 Unlimited Tax Park Bonds, Series 2018A. The District will use the proceeds to reimburse the Developer for the design, construction and land acquisition for Westfield Ranch Park as well as landscape improvements within the Westfield Ranch development and issuance costs of the bonds.

NOTE 16. PRIOR PERIOD ADJUSTMENT

During the current year it was determined that the amount recorded for builder deposits was not correct. The effect of the adjustment is a decrease to the General Fund fund balance and Net Position of \$185,724.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2018

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,586,600	\$ 1,635,466	\$ 48,866
Water Service	1,096,600	1,054,841	(41,759)
Wastewater Service	1,421,400	1,479,683	58,283
Water Authority Fee	1,162,100	1,024,205	(137,895)
Penalty and Interest	195,000	95,289	(99,711)
Sales Tax Revenues	310,000	297,154	(12,846)
Tap Connection and Inspection Fees	605,000	477,581	(127,419)
Investment Revenues	44,600	47,671	3,071
Miscellaneous Revenues	14,716	112,488	97,772
TOTAL REVENUES	<u>\$ 6,436,016</u>	<u>\$ 6,224,378</u>	<u>\$ (211,638)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 351,900	\$ 380,292	\$ (28,392)
Contracted Services	1,499,400	1,576,305	(76,905)
Parks and Recreation	207,600	236,299	(28,699)
Utilities	302,380	303,778	(1,398)
Water Authority Assessment	1,162,100	1,130,143	31,957
Repairs and Maintenance	524,800	572,851	(48,051)
Other	872,197	897,848	(25,651)
Capital Outlay	1,700,000	3,607,532	(1,907,532)
TOTAL EXPENDITURES	<u>\$ 6,620,377</u>	<u>\$ 8,705,048</u>	<u>\$ (2,084,671)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (184,361)</u>	<u>\$ (2,480,670)</u>	<u>\$ (2,296,309)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ 37,911</u>	<u>\$ 26</u>	<u>\$ (37,885)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (146,450)</u>	<u>\$ (2,480,644)</u>	<u>\$ (2,334,194)</u>
FUND BALANCE - JUNE 1, 2017	<u>5,624,791</u>	<u>5,624,791</u>	<u> </u>
FUND BALANCE - MAY 31, 2018	<u>\$ 5,478,341</u>	<u>\$ 3,144,147</u>	<u>\$ (2,334,194)</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2018

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018**

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

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved June 21, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 16.00	5,000	N	\$ 1.25	5,001 to 10,000
				\$ 1.50	10,001 to 15,000
				\$ 1.75	15,001 to 20,000
				\$ 2.25	20,001 and up
WASTEWATER:	\$ 26.00 ⁽¹⁾	5,000	N	\$ 0.75	5,001 to 10,000
				\$ 1.00	10,001 to 20,000
				\$ 1.50	20,001 and up
SURCHARGE:					
Regional Water	\$ 2.70				
Authority Fees	plus 5%				0001 and up

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$22.25 Wastewater: \$29.75 Surcharges: \$28.40

(1) Includes solid waste disposal

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	4,064	4,027	x 1.0	4,027
1"	21	21	x 2.5	53
1½"	10	10	x 5.0	50
2"	53	48	x 8.0	384
3"			x 15.0	
4"	5	5	x 25.0	50
6"	2	2	x 50.0	100
8"	4	4	x 80.0	320
10"			x 115.0	
Total Water Connections	<u>4,159</u>	<u>4,117</u>		<u>4,984</u>
Total Wastewater Connections	<u>4,190</u>	<u>4,077</u>	x 1.0	<u>4,984</u>

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

Gallons pumped into system:	442,974,000	Water Accountability Ratio: 91.8%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	406,545,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

PROFESSIONAL FEES:	
Auditing	\$ 21,750
Engineering	226,259
Legal	<u>132,283</u>
TOTAL PROFESSIONAL FEES	<u>\$ 380,292</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,831
Operations and Billing	143,131
Recording Secretary	<u>3,525</u>
TOTAL CONTRACTED SERVICES	<u>\$ 181,487</u>
UTILITIES:	
Electricity	\$ 299,751
Telephone	<u>4,027</u>
TOTAL UTILITIES	<u>\$ 303,778</u>
REPAIRS AND MAINTENANCE	<u>\$ 572,851</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 34,950
Election Costs	36
Insurance	65,457
Office Supplies and Postage	69,562
Payroll Taxes	2,674
Travel and Meetings	3,975
Other	<u>93,230</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 269,884</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018

CAPITAL OUTLAY	\$ <u>3,607,532</u>
TAP CONNECTIONS	\$ <u>102,478</u>
SOLID WASTE DISPOSAL	\$ <u>680,795</u>
SECURITY	\$ <u>714,023</u>
PARKS AND RECREATION	\$ <u>236,299</u>
OTHER EXPENDITURES:	
Chemicals	\$ 146,124
Bond Issuance Costs	46,225
Laboratory Fees	44,871
Permit Fees	16,253
Reconnection Fees	36,970
Inspection Fees	47,950
Regulatory Assessment	12,873
Water Authority Assessment	1,130,143
Sludge Hauling	166,855
School Project Donations	<u>7,365</u>
TOTAL OTHER EXPENDITURES	\$ <u>1,655,629</u>
 TOTAL EXPENDITURES	 \$ <u>8,705,048</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
INVESTMENTS
MAY 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Period	Accrued Interest Receivable at End of Period
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 986,034	\$
Certificate of Deposit	XXXX2281	1.10%	01/08/19	240,000	347
Certificate of Deposit	XXXXX345	1.20%	12/28/18	240,000	931
Certificate of Deposit	XXXX6874	1.14%	09/29/18	240,000	1,154
Certificate of Deposit	XXXX0302	1.60%	03/23/19	240,000	726
Certificate of Deposit	XXXX0247	1.25%	08/20/18	240,000	1,562
Certificate of Deposit	XXXX7205	1.27%	12/26/18	240,000	1,010
Certificate of Deposit	XXXX4162	1.25%	07/30/18	240,000	1,751
Certificate of Deposit	XXXX1971	1.00%	10/15/18	240,000	875
Certificate of Deposit	XXXX4315	2.00%	04/24/19	240,000	487
Certificate of Deposit	XXXX5920	1.00%	02/02/19	240,000	776
Certificate of Deposit	XXXX8571	0.95%	11/13/18	240,000	837
Certificate of Deposit	XXXX2617	1.25%	04/13/19	240,000	394
Certificate of Deposit	XXXX9429	1.00%	06/17/18	240,000	2,295
TOTAL GENERAL FUND				<u>\$ 4,106,034</u>	<u>\$ 13,145</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 5,764,078	\$
Certificate of Deposit	XXXX5508	1.30%	02/20/19	240,000	855
Certificate of Deposit	XXXX1582	1.10%	08/19/18	240,000	2,061
Certificate of Deposit	XXXXX346	1.00%	08/01/18	240,000	1,986
Certificate of Deposit	XXXX0403	1.25%	02/20/19	140,000	479
Certificate of Deposit	XXXX3858	1.30%	02/13/19	240,000	915
Certificate of Deposit	XXXX1152	0.90%	08/29/18	240,000	1,627
Certificate of Deposit	XXXX9690	1.00%	08/24/18	240,000	1,841
Certificate of Deposit	XXXX0283	1.35%	02/21/19	240,000	897
Certificate of Deposit	XXXX8901	1.10%	02/15/19	240,000	760
Certificate of Deposit	XXXX2595	1.10%	08/02/18	240,000	2,184
Certificate of Deposit	XXXX0083	1.25%	02/20/19	240,000	822
Certificate of Deposit	XXXX2597	1.00%	08/29/18	240,000	1,808
Certificate of Deposit	XXXX7850	1.05%	07/31/18	240,000	2,085
TOTAL DEBT SERVICE FUND				<u>\$ 8,784,078</u>	<u>\$ 18,320</u>
TOTAL - ALL FUNDS				<u>\$ 12,890,112</u>	<u>\$ 31,465</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
JUNE 1, 2017	\$ 51,411	\$ 135,975
Adjustments to Beginning		
Balance	<u>(2,299)</u>	<u>(7,098)</u>
	\$ 49,112	\$ 128,877
Original 2017 Tax Levy	\$ 1,236,669	\$ 4,225,286
Adjustment to 2017 Tax Levy	<u>400,783</u>	<u>1,369,342</u>
	<u>1,637,452</u>	<u>5,594,628</u>
TOTAL TO BE		
ACCOUNTED FOR	\$ 1,686,564	\$ 5,723,505
TAX COLLECTIONS:		
Prior Years	\$ 29,307	\$ 87,205
Current Year	<u>1,606,159</u>	<u>5,487,710</u>
	<u>1,635,466</u>	<u>5,574,915</u>
TAXES RECEIVABLE -		
MAY 31, 2018	<u>\$ 51,098</u>	<u>\$ 148,590</u>
TAXES RECEIVABLE BY		
YEAR:		
2017	\$ 31,293	\$ 106,918
2016	5,000	15,184
2015	1,764	4,520
2014	1,638	3,534
2013	1,831	3,492
2012	2,364	4,509
2011	2,028	3,868
2010	1,027	1,763
2009 and prior	<u>4,153</u>	<u>4,802</u>
TOTAL	<u>\$ 51,098</u>	<u>\$ 148,590</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	\$ 166,353,522	\$ 153,889,766	\$ 141,089,621	\$ 121,420,049
Improvements	575,246,708	511,895,331	406,527,149	317,725,379
Personal Property	17,684,351	17,015,874	16,718,715	15,435,331
Exemptions	(77,012,860)	(83,178,552)	(58,082,120)	(53,536,433)
TOTAL PROPERTY VALUATIONS	\$ 682,271,721	\$ 599,622,419	\$ 506,253,365	\$ 401,044,326
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82
Maintenance	0.24	0.27	0.32	0.38
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.06	\$ 1.09	\$ 1.14	\$ 1.20
ADJUSTED TAX LEVY*	\$ 7,232,080	\$ 6,535,901	\$ 5,772,771	\$ 4,813,955
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.09 %	99.69 %	99.89 %	99.89 %

* Based upon adjusted tax at time of audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum Tax Rate of \$1.50 per \$100 of assessed valuation approved by voters on November 7, 2006. See also Note 7.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 400,000	\$ 29,688	\$ 429,688
2020	425,000	10,094	435,094
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	\$ 825,000	\$ 39,782	\$ 864,782

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 100,000	\$ 258,050	\$	358,050
2020	100,000	251,550		351,550
2021	100,000	246,300		346,300
2022	100,000	242,300		342,300
2023	100,000	238,300		338,300
2024	100,000	234,300		334,300
2025	100,000	230,300		330,300
2026	100,000	226,300		326,300
2027	100,000	222,175		322,175
2028	100,000	217,925		317,925
2029	100,000	213,675		313,675
2030	200,000	207,300		407,300
2031	300,000	196,675		496,675
2032	360,000	182,650		542,650
2033	1,000,000	153,750		1,153,750
2034	1,000,000	111,250		1,111,250
2035	1,000,000	67,500		1,067,500
2036	1,000,000	22,500		1,022,500
2037				
2038				
2039				
2040				
	\$ 5,960,000	\$ 3,522,800	\$	9,482,800

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 1 2				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 50,000	\$ 185,563	\$	235,563
2020	50,000	184,062		234,062
2021	50,000	182,563		232,563
2022	50,000	181,062		231,062
2023	50,000	179,563		229,563
2024	50,000	178,062		228,062
2025	50,000	176,563		226,563
2026	50,000	175,062		225,062
2027	50,000	173,563		223,563
2028	50,000	172,062		222,062
2029	50,000	170,563		220,563
2030	50,000	169,062		219,062
2031	50,000	167,563		217,563
2032	50,000	166,062		216,062
2033	725,000	153,984		878,984
2034	725,000	131,328		856,328
2035	750,000	105,000		855,000
2036	750,000	75,000		825,000
2037	750,000	45,000		795,000
2038	750,000	15,000		765,000
2039				
2040				
	\$ 5,150,000	\$ 2,986,687	\$	8,136,687

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 1 3 R E F U N D I N G

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 325,000	\$ 100,312	\$ 425,312
2020	335,000	93,713	428,713
2021	345,000	86,481	431,481
2022	355,000	76,387	431,387
2023	370,000	63,700	433,700
2024	385,000	50,487	435,487
2025	400,000	36,750	436,750
2026	415,000	22,488	437,488
2027	435,000	7,612	442,612
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 3,365,000</u>	<u>\$ 537,930</u>	<u>\$ 3,902,930</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 100,000	\$ 354,575	\$ 454,575
2020	100,000	350,575	450,575
2021	100,000	346,575	446,575
2022	100,000	342,575	442,575
2023	100,000	338,575	438,575
2024	100,000	334,575	434,575
2025	100,000	330,575	430,575
2026	100,000	326,575	426,575
2027	100,000	322,575	422,575
2028	100,000	318,575	418,575
2029	100,000	314,575	414,575
2030	100,000	310,575	410,575
2031	100,000	306,575	406,575
2032	100,000	302,575	402,575
2033	700,000	286,575	986,575
2034	750,000	257,575	1,007,575
2035	800,000	226,575	1,026,575
2036	830,000	193,975	1,023,975
2037	1,100,000	155,375	1,255,375
2038	1,100,000	111,375	1,211,375
2039	1,100,000	67,375	1,167,375
2040	1,100,000	22,687	1,122,687
	\$ 8,880,000	\$ 5,921,562	\$ 14,801,562

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 1 5				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 425,000	\$ 276,250	\$	701,250
2020	425,000	267,750		692,750
2021	425,000	259,250		684,250
2022	425,000	250,750		675,750
2023	425,000	241,719		666,719
2024	425,000	231,625		656,625
2025	425,000	220,469		645,469
2026	425,000	208,250		633,250
2027	425,000	195,500		620,500
2028	425,000	182,750		607,750
2029	425,000	170,000		595,000
2030	425,000	157,250		582,250
2031	425,000	143,969		568,969
2032	425,000	129,890		554,890
2033	425,000	115,547		540,547
2034	425,000	100,937		525,937
2035	425,000	86,063		511,063
2036	425,000	70,922		495,922
2037	425,000	55,516		480,516
2038	425,000	39,844		464,844
2039	425,000	23,906		448,906
2040	425,000	7,968		432,968
	\$ 9,350,000	\$ 3,436,125	\$	12,786,125

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

S E R I E S - 2 0 1 6 R E F U N D I N G

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 560,000	\$ 562,950	\$ 1,122,950
2020	575,000	545,925	1,120,925
2021	1,035,000	521,775	1,556,775
2022	1,075,000	479,375	1,554,375
2023	1,125,000	424,375	1,549,375
2024	1,165,000	384,600	1,549,600
2025	1,190,000	361,050	1,551,050
2026	1,220,000	335,425	1,555,425
2027	1,565,000	290,400	1,855,400
2028	1,775,000	223,600	1,998,600
2029	1,845,000	160,425	2,005,425
2030	1,800,000	105,750	1,905,750
2031	1,755,000	52,425	1,807,425
2032	870,000	13,050	883,050
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 17,555,000</u>	<u>\$ 4,461,125</u>	<u>\$ 22,016,125</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,960,000	\$ 1,767,388	\$ 3,727,388
2020	2,010,000	1,703,669	3,713,669
2021	2,055,000	1,642,944	3,697,944
2022	2,105,000	1,572,449	3,677,449
2023	2,170,000	1,486,232	3,656,232
2024	2,225,000	1,413,649	3,638,649
2025	2,265,000	1,355,707	3,620,707
2026	2,310,000	1,294,100	3,604,100
2027	2,675,000	1,211,825	3,886,825
2028	2,450,000	1,114,912	3,564,912
2029	2,520,000	1,029,238	3,549,238
2030	2,575,000	949,937	3,524,937
2031	2,630,000	867,207	3,497,207
2032	1,805,000	794,227	2,599,227
2033	2,850,000	709,856	3,559,856
2034	2,900,000	601,090	3,501,090
2035	2,975,000	485,138	3,460,138
2036	3,005,000	362,397	3,367,397
2037	2,275,000	255,891	2,530,891
2038	2,275,000	166,219	2,441,219
2039	1,525,000	91,281	1,616,281
2040	1,525,000	30,655	1,555,655
	<u>\$ 51,085,000</u>	<u>\$ 20,906,011</u>	<u>\$ 71,991,011</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2018

Description	Original Bonds Issued	Bonds Outstanding June 1, 2017
Harris County Municipal Utility District No. 167 Unlimited Tax Bonds - Series 2007	\$ 11,320,000	\$ 400,000
Harris County Municipal Utility District No. 167 Unlimited Tax Bonds - Series 2009	11,930,000	1,200,000
Harris County Municipal Utility District No. 167 Unlimited Tax Bonds - Series 2011	6,460,000	6,060,000
Harris County Municipal Utility District No. 167 Unlimited Tax Bonds - Series 2012	5,365,000	5,200,000
Harris County Municipal Utility District No. 167 Unlimited Tax Refunding Bonds - Series 2013	4,325,000	3,680,000
Harris County Municipal Utility District No. 167 Unlimited Tax Bonds - Series 2014	9,080,000	8,980,000
Harris County Municipal Utility District No. 167 Unlimited Tax Bonds - Series 2015	10,200,000	9,775,000
Harris County Municipal Utility District No. 167 Unlimited Tax Refunding Bonds - Series 2016	<u>17,865,000</u>	<u>17,685,000</u>
TOTAL	<u>\$ 76,545,000</u>	<u>\$ 52,980,000</u>
	Water, Sewer and Drainage Facilities Bonds*	Parks and Recreational Facilities Bonds
Bond Authority:	<u>Refunding Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 88,210,000	\$ 57,000,000
Amount Issued	<u>54,355,000</u>	<u>1,285,000</u>
Remaining to be Issued	<u>\$ 33,855,000</u>	<u>\$ 9,000,000</u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 400,000	\$ 16,000	\$ - 0 -	Wells Fargo Bank N.A. Dallas, TX
	375,000	48,561	825,000	Wells Fargo Bank N.A. Dallas, TX
	100,000	264,550	5,960,000	Wells Fargo Bank N.A. Dallas, TX
	50,000	187,062	5,150,000	The Bank of New York Mellon Trust Company N.A., Dallas TX
	315,000	106,713	3,365,000	The Bank of New York Mellon Trust Company N.A., Dallas TX
	100,000	358,575	8,880,000	The Bank of New York Mellon Trust Company N.A., Dallas TX
	425,000	284,750	9,350,000	The Bank of New York Mellon Trust Company N.A., Dallas TX
	<u>130,000</u>	<u>573,300</u>	<u>17,555,000</u>	The Bank of New York Mellon Trust Company N.A., Dallas TX
<u>\$ - 0 -</u>	<u>\$ 1,895,000</u>	<u>\$ 1,839,511</u>	<u>\$ 51,085,000</u>	

Debt Service Fund cash, investments and cash with paying agent balances as of
May 31, 2018: \$ 8,891,075

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 3,272,319

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,635,466	\$ 1,614,672	\$ 1,621,474
Water Service	1,054,841	1,050,080	926,589
Wastewater Service	1,479,683	1,390,989	1,257,934
Water Authority Fees	1,024,205	851,797	744,933
Penalty and Interest	95,289	98,642	108,336
Sales Tax Revenue	297,154	300,354	327,660
Tap Connection and Inspection Fees	477,581	899,861	670,520
Investment Revenues	47,671	45,739	25,393
Miscellaneous Revenues	112,488	151,014	121,622
TOTAL REVENUES	\$ 6,224,378	\$ 6,403,148	\$ 5,804,461
EXPENDITURES			
Professional Fees	\$ 380,292	\$ 365,956	\$ 242,112
Contracted Services	1,576,305	1,461,161	1,373,617
Parks and Recreation	236,299	177,307	138,834
Utilities	303,778	296,601	268,516
Repairs and Maintenance	572,851	468,599	352,615
Water Authority Assessment	1,130,143	1,042,074	792,556
Other	897,848	995,759	780,451
Capital Outlay	3,607,532	2,550,295	1,032,308
TOTAL EXPENDITURES	\$ 8,705,048	\$ 7,357,752	\$ 4,981,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (2,480,670)	\$ (954,604)	\$ 823,452
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 26	\$ (755,376)	\$ 59,738
NET CHANGE IN FUND BALANCE	\$ (2,480,644)	\$ (1,709,980)	\$ 883,190
PRIOR PERIOD ADJUSTMENT		(\$185,724)	
BEGINNING FUND BALANCE	5,624,791	7,520,495	6,637,305
ENDING FUND BALANCE	\$ 3,144,147	\$ 5,624,791	\$ 7,520,495

*Eleven-month period ended May 31, 2015

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015*	2014	2018	2017	2016	2015*	2014
\$ 1,503,251	\$ 1,413,182	26.2 %	25.2 %	27.9 %	28.3 %	31.9 %
839,733	820,048	16.9	16.4	16.0	15.7	18.0
1,052,495	1,004,871	23.8	21.7	21.7	19.7	21.6
543,493	577,035	16.5	13.3	12.8	10.2	12.3
104,065	82,249	1.5	1.5	1.9	1.9	1.5
228,454	250,914	4.8	4.7	5.6	4.3	6.5
962,750	566,875	7.7	14.1	11.6	18.0	5.2
16,265	14,795	0.8	0.7	0.4	0.3	0.3
86,352	116,172	1.8	2.4	2.1	1.6	2.7
<u>\$ 5,336,858</u>	<u>\$ 4,846,141</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 176,789	\$ 196,039	6.1 %	5.7 %	4.2 %	3.3 %	4.0 %
1,145,013	1,164,476	25.3	22.8	23.7	21.5	24.0
132,658	168,820	3.8	2.8	2.4	2.5	3.5
238,633	296,308	4.9	4.6	4.6	4.5	6.1
341,646	515,978	9.2	7.3	6.1	6.4	10.6
593,133	678,446	18.2	16.3	13.7	11.1	14.0
845,518	716,796	14.4	15.6	13.4	15.8	14.8
150,007	78,762	58.0	39.8	17.8	2.8	1.6
<u>\$ 3,623,397</u>	<u>\$ 3,815,625</u>	<u>139.9 %</u>	<u>114.9 %</u>	<u>85.9 %</u>	<u>67.9 %</u>	<u>78.6 %</u>
<u>\$ 1,713,461</u>	<u>\$ 1,030,516</u>	<u>(39.9) %</u>	<u>(14.9) %</u>	<u>14.1 %</u>	<u>32.1 %</u>	<u>21.4 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 1,713,461	\$ 1,030,516					
4,923,844	3,893,328					
<u>\$ 6,637,305</u>	<u>\$ 4,923,844</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 5,574,915	\$ 4,889,526	\$ 4,141,635
Penalty and Interest	38,406	57,057	40,954
Interest on Investments	82,856	37,218	15,495
Miscellaneous Revenues		82	
TOTAL REVENUES	\$ 5,696,177	\$ 4,983,883	\$ 4,198,084
EXPENDITURES			
Tax Collection Expenditures	\$ 17,269	\$ 11,933	\$ 12,120
Contracted Services	121,925	100,005	77,956
Other	7,810	6,566	9,106
Debt Service:			
Principal	1,895,000	1,895,000	1,145,000
Interest and Fees	1,842,061	1,859,799	2,154,447
Bond Issuance Costs			581,409
TOTAL EXPENDITURES	\$ 3,884,065	\$ 3,873,303	\$ 3,980,038
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,812,112	\$ 1,110,580	\$ 218,046
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$ 18,013,750
Transfer to Refunded Bond Escrow Agent			(17,925,668)
Bond Premium			642,486
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 730,568
NET CHANGE IN FUND BALANCE	\$ 1,812,112	\$ 1,110,580	\$ 948,614
BEGINNING FUND BALANCE	7,028,084	5,917,504	4,968,890
ENDING FUND BALANCE	\$ 8,840,196	\$ 7,028,084	\$ 5,917,504
TOTAL ACTIVE RETAIL WATER CONNECTIONS	4,117	3,964	3,590
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	4,077	3,927	3,589

*Eleven-month period ended May 31, 2015

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015*	2014	2018	2017	2016	2015*	2014
\$ 3,241,159	\$ 2,690,538	97.8 %	98.2 %	98.6 %	98.5 %	97.9 %
33,883	38,064	0.7	1.1	1.0	1.0	1.4
14,822	13,517	1.5	0.7	0.4	0.5	0.5
	6,599					0.2
<u>\$ 3,289,864</u>	<u>\$ 2,748,718</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 13,846	\$ 13,093	0.3 %	0.2 %	0.3 %	0.4 %	0.5 %
73,704	65,688	2.1	2.0	1.9	2.2	2.4
6,402	8,551	0.1	0.1	0.2	0.2	0.3
785,000	855,000	33.3	38.0	27.3	23.9	31.1
2,211,227	1,733,013	32.3	37.3	51.3	67.2	63.0
				13.8		
<u>\$ 3,090,179</u>	<u>\$ 2,675,345</u>	<u>68.1 %</u>	<u>77.6 %</u>	<u>94.8 %</u>	<u>93.9 %</u>	<u>97.3 %</u>
<u>\$ 199,685</u>	<u>\$ 73,373</u>	<u>31.9 %</u>	<u>22.4 %</u>	<u>5.2 %</u>	<u>6.1 %</u>	<u>2.7 %</u>
\$	\$ 364,575					
<u>\$ - 0 -</u>	<u>\$ 364,575</u>					
\$ 199,685	\$ 437,948					
4,769,205	4,331,257					
<u>\$ 4,968,890</u>	<u>\$ 4,769,205</u>					
<u>3,353</u>	<u>2,852</u>					
<u>3,347</u>	<u>2,854</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

District Mailing Address - Harris County Municipal Utility District No. 167
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2018	Expense Reimbursements for the year ended May 31, 2018	Title
Verneath Louise Hronas	05/16 05/20 (Elected)	\$ 7,200	\$ 3,647	President
Claudia Buentello	05/18 05/22 (Elected)	\$ 7,200	\$ 3,886	Vice President/ Investment Officer
Shirley Ann Dean	05/16 05/20 (Elected)	\$ 6,750	\$ 4,166	Assistant Vice President
Juan Pablo Medrano	05/18 05/22 (Elected)	\$ 5,250	\$ 1,535	Secretary
Brad Yeaney	05/16 05/20 (Elected)	\$ 7,050	\$ 4,693	Assistant Secretary
Scotti Campbell	05/14 09/17	\$ 1,500	\$ 1,584	Resigned

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
July 19, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on August 27, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 167
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/27/03	\$ 142,266	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/24/92	\$ 21,750 \$ 3,000	Audit Related AUP Services
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/26/96	\$ 17,269	Delinquent Tax Attorney
AECOM Technical Services, Inc.	11/24/98	\$ 544,154	Engineer
Municipal Accounts & Consulting, L.P.	08/06/08	\$ 39,716	Bookkeeper
Masterson Advisors LLC	05/16/18	\$ -0-	Financial Advisor
Hilltop Securities Inc.	01/24/84 to 05/16/18	\$ -0-	Prior Financial Advisor
Mark Burton	08/06/08	\$ -0-	Investment Officer
Water Wastewater Management Services, Inc.	07/22/09	\$ 751,186	Operator
KGA/DeForest Design, LLC	08/24/05	\$ 23,513	Park Planning
Assessments of the Southwest, Inc.	04/23/84	\$ 60,895	Tax Assessor/ Collector
Susan Prospere	11/30/00 to 09/20/17	\$ 3,525	Prior Recording Secretary

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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