ADDENDUM
TO

OFFICIAL STATEMENT DATED JUNE 26, 2019

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18
(A Political Subdivision of the State of Texas, located within Harris County)

$7,240,000 **UNLIMITED TAX BONDS** **SERIES 2019**	**$1,950,000** **UNLIMITED TAX PARK BONDS** **SERIES 2019**

This Addendum, dated July 16, 2019, serves to correct the insured credit rating of Assured Guaranty Municipal Corp. ("AGM") assigned to the $1,950,000 Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds"), by Moody's Investors Service, Inc. ("Moody's") in the Official Statement. Moody's assigns the insured credit rating which is the highest of the (i) guarantor's financial strength rating, (ii) any published underlying rating on the security, or (iii) any published enhanced rating based on a state credit enhancement program. The underlying Moody's credit rating of Harris County Improvement District No. 18 (the "District") is "A1" and AGM's Moody's financial strength rating (the guarantor's financial strength rating) is "A2", which is lower than the District's underlying credit rating. Thus, the correct insured credit rating of AGM assigned to the Park Bonds by Moody's is "A1", which represents the District's underlying credit rating. The cover of the Official Statement and the sections within titled "RATINGS" and "OFFICIAL STATEMENT SUMMARY – THE BONDS – Ratings" have been revised to reflect this change, as shown in bold below:

Moody's Investors Service, Inc. (Underlying) .... "A1"
Utility Bonds: S&P Global Ratings (MAC Insured)...................................... "AA"
Park Bonds: Moody's Investors Service, Inc. (AGM Insured) .... "**A1**"
S&P Global Ratings (AGM Insured)...................................... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

RATINGS

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

The Utility Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy issued by MAC at the time of delivery of the Utility Bonds. An explanation of the ratings of S&P may only be obtained from S&P. The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. The District is not aware of any rating other than the insured rating to be assigned to the Utility Bonds by S&P upon the issuance of the municipal bond insurance policy issued by MAC at the time of delivery of the Utility Bonds.

The Park Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Park Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Park Bonds are expected to receive an insured rating of "A1" from Moody's. Moody's assigns the insured credit rating which is the highest of the (i) guarantor's financial strength rating, (ii) any published underlying rating on the security, or (iii) any published enhanced rating based on a state credit enhancement program. Moody's has assigned an underlying credit rating of "A1" to the Bonds and AGM's Moody's financial strength rating (the guarantor's financial strength rating) is "A2", which is lower than the District's underlying credit rating. Thus, the insured credit rating of AGM assigned to the Park Bonds by Moody's is "A1", which represents the District's underlying credit rating. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of S&P and Moody's.

OFFICIAL STATEMENT SUMMARY

THE BONDS

Ratings	Moody's Investors Service, Inc. (Underlying): "A1"
	Utility Bonds: S&P Global Ratings (MAC Insured): "AA"
	Park Bonds: Moody's Investors Service, Inc. (AGM Insured): "**A1**" S&P Global Ratings (AGM Insured): "AA"

OFFICIAL STATEMENT DATED JUNE 26, 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 are **NOT** "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE - Book-Entry-Only

Moody's Investors Service, Inc. (Underlying)..."A1"
Utility Bonds: S&P Global Ratings (MAC Insured) ...."AA"
Park Bonds: Moody's Investors Service, Inc. (AGM Insured)........."A1"
S&P Global Ratings (AGM Insured) ...."AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

(A Political Subdivision of the State of Texas, located within Harris County)

$7,240,000
UNLIMITED TAX BONDS
SERIES 2019

$1,950,000
UNLIMITED TAX PARK BONDS
SERIES 2019

Dated: July 1, 2019

Due: September 1, as shown below

Interest on the Harris County Improvement District No. 18 Unlimited Tax Bonds, Series 2019 (the "Utility Bonds") and Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds", and together with the Utility Bonds, the "Bonds") will accrue from July 1, 2019, and is payable on March 1, 2020, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Registrar to registered owners ("Registered Owners") as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, Houston, Texas, (the "Paying Agent/Registrar"). The Bonds are obligations solely of the Harris County Improvement District No. 18 (the "District") and are not obligations of Harris County, Texas, the City of Houston, Texas, the State of Texas, or any entity other than the District.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.

The scheduled payment of principal of and interest on the Utility Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Utility Bonds by **MUNICIPAL ASSURANCE CORP.**

MUNICIPAL ASSURANCE CORP. AN ASSURED GUARANTY COMPANY

The scheduled payment of principal of and interest on the Park Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Park Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED GUARANTY MUNICIPAL

The Utility Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, sewer and drainage system (the "System") to serve the District and for refunding purposes. The Park Bonds constitute the second series of unlimited tax park bonds issued by the District for the purpose of constructing parks and recreational facilities and for refunding purposes. Voters in the District have authorized a total of $637,000,000 principal amount of unlimited tax and refunding bonds to finance improvements to the System and $315,600,000 principal amount of unlimited tax and refunding bonds for parks and recreational facilities. Following the issuance of the Bonds, $504,925,000 principal amount of unlimited tax and refunding bonds for System improvements will remain authorized and unissued and $297,400,000 principal amount of unlimited tax and refunding bonds for parks and recreational facilities will remain authorized and unissued. In addition to the unlimited tax and refunding bonds authorized for System improvements and the unlimited tax and refunding bonds authorized for parks and recreational facilities, voters in the District have also authorized a total of $15,100,000 principal amount of unlimited tax and refunding bonds for firefighting facilities, $128,000,000 principal amount of unlimited tax and refunding bonds for public parking facilities, $48,000,000 principal amount of unlimited tax and refunding bonds for economic development and $11,000,000 principal amount of unlimited tax and refunding bonds for transit facilities. Further, voters within the District located in the Defined Area (herein defined) have authorized $1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements to serve the Defined Area No. 1 (the "Defined Area"). The District has previously issued $141,085,000 principal amount of unlimited tax bonds, of which $129,420,000 principal amount of bonds remain outstanding. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are offered by the initial purchaser of the Bonds (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 initial Bond by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about July 24, 2019, in Houston, Texas.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

$7,240,000 Unlimited Tax Bonds, Series 2019

$3,275,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)
2020	$ 160,000	3.000%	1.700%	HC0	2027 (c)	$ 240,000	3.000%	2.350%	HK2
2021	195,000	3.000%	1.750%	HD8	2028 (c)	245,000	3.000%	2.450%	HL0
2022	200,000	3.000%	1.850%	HE6	2029 (c)	255,000	3.000%	2.550%	HM8
2023	205,000	3.000%	1.950%	HF3	2030 (c)	265,000	3.000%	2.650%	HN6
2024	215,000	3.000%	2.050%	HG1	2031 (c)	275,000	3.000%	2.750%	HP1
2025 (c)	220,000	3.000%	2.150%	HH9	2032 (c)	280,000	3.000%	2.850%	HQ9
2026 (c)	230,000	3.000%	2.250%	HJ5	2033 (c)	290,000	3.000%	2.900%	HR7

(Interest to accrue from July 1, 2019)

$3,965,000 Term Bonds

$610,000 Term Bonds due September 1, 2035 (c)(d), Interest Rate 3.000% (Price: $100.233) (a), CUSIP No. 414183 HT3 (b)
$1,365,000 Term Bonds due September 1, 2039 (c)(d), Interest Rate 3.000% (Price: $100.000) (a), CUSIP No. 414183 HX4 (b)
$1,990,000 Term Bonds due September 1, 2044 (c)(d), Interest Rate 3.000% (Price: $98.262) (a), CUSIP No. 414183 JC8 (b)

$1,950,000 Unlimited Tax Park Bonds, Series 2019

$1,265,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)
2020	$ 45,000	4.000%	1.650%	JD6	2029 (c)	$ 70,000	2.250%	2.500%	JN4
2021	50,000	4.000%	1.700%	JE4	2030 (c)	70,000	2.500%	2.750%	JP9
2022	55,000	3.000%	1.750%	JF1	2031 (c)	75,000	2.625%	2.800%	JQ7
2023	55,000	3.000%	1.800%	JG9	--	--	--	--	--
2024	60,000	3.000%	1.850%	JH7	2040 (c)	100,000	3.000%	3.100%	JZ7
2025 (c)	60,000	2.000%	2.000%	JJ3	2041 (c)	105,000	3.000%	3.120%	KA0
2026 (c)	60,000	2.000%	2.150%	JK0	2042 (c)	105,000	3.000%	3.130%	KB8
2027 (c)	65,000	2.000%	2.250%	JL8	2043 (c)	110,000	3.000%	3.140%	KC6
2028 (c)	65,000	2.000%	2.350%	JM6	2044 (c)	115,000	3.000%	3.150%	KD4

(Interest to accrue from July 1, 2019)

$685,000 Term Bonds

$155,000 Term Bonds due September 1, 2033 (c)(d), Interest Rate 3.000% (Price: $100.469) (a), CUSIP No. 414183 JS3 (b)
$165,000 Term Bonds due September 1, 2035 (c)(d), Interest Rate 3.000% (Price: $100.000) (a), CUSIP No. 414183 JU8 (b)
$175,000 Term Bonds due September 1, 2037 (c)(d), Interest Rate 3.000% (Price: $99.444) (a), CUSIP No. 414183 JW4 (b)
$190,000 Term Bonds due September 1, 2039 (c)(d), Interest Rate 3.000% (Price: $98.805) (a), CUSIP No. 414183 JY0 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2025, and thereafter, shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and 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 for further information.

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

Municipal Assurance Corp. ("MAC") makes no representation regarding the Utility Bonds or the advisability of investing in the Utility Bonds. In addition, MAC 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 MAC supplied by MAC and presented under the heading "MUNICIPAL BOND INSURANCE – UTILITY BONDS" and "APPENDIX B – MAC Specimen Municipal Bond Insurance Policy."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Park Bonds or the advisability of investing in the Park 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 – PARK BONDS" and "APPENDIX C – AGM Specimen Municipal Bond Insurance Policy."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid of BOK Financial Securities, Inc. (the "Utility Bonds Underwriter") to purchase the Utility Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 98.970463% of par plus accrued interest to date of delivery, resulting in a net effective interest rate to the District of 3.068733%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Utility Bonds after their sale by the District to the Utility Bonds Underwriter. The District has no control over the price at which the Utility Bonds are subsequently sold, and the initial yields at which the Utility Bonds are priced and reoffered are established by and are the sole responsibility of the Utility Bonds Underwriter.

After requesting competitive bids for the Park Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Park Bonds Underwriter," and together with the Utility Bonds Underwriter, the "Underwriter") to purchase the Park Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.000000% of par plus accrued interest to date of delivery, resulting in a net effective interest rate to the District of 3.096569%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Park Bonds after their sale by the District to the Park Bonds Underwriter. The District has no control over the price at which the Park Bonds are subsequently sold, and the initial yields at which the Park Bonds are priced and reoffered are established by and are the sole responsibility of the Park Bonds Underwriter.

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 which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of management 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 under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE – UTILITY BONDS

Utility Bond Insurance Policy

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

The Utility Bond Policy is not covered by any insurance security or guaranty fund established under New York or Connecticut insurance law.

Municipal Assurance Corp.

MAC 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 the shareholders or affiliates of AGL, other than MAC, is obligated to pay any debts of MAC or any claims under any insurance policy issued by MAC.

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

MAC'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") and "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA"). Each rating of MAC 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 MAC in its sole discretion. In addition, the rating agencies may at any time change MAC'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 MAC. MAC only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by MAC on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 27, 2019, S&P announced it had affirmed MAC's financial strength rating of "AA" (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

On July 12, 2018, KBRA announced it had affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

For more information regarding MAC'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 MAC

As of March 31, 2019, MAC's policyholders' surplus and contingency reserve were approximately $526 million and its unearned premium reserve was approximately $183 million, in each case, determined in accordance with statutory accounting principles.

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 MAC 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 financial statements of MAC and all other information relating to MAC 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 Utility 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 Municipal Assurance 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 MAC included herein under the caption "MUNICIPAL BOND INSURANCE – UTILITY BONDS – Municipal Assurance Corp." or included in a document incorporated by reference herein (collectively, the "MAC Information") shall be modified or superseded to the extent that any subsequently included MAC Information (either directly or through incorporation by reference) modifies or supersedes such previously included MAC Information. Any MAC Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

MAC makes no representation regarding the Utility Bonds or the advisability of investing in the Utility Bonds. In addition, MAC 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 MAC supplied by MAC and presented under the heading "MUNICIPAL BOND INSURANCE – UTILITY BONDS"

MUNICIPAL BOND INSURANCE – PARK BONDS

Park Bond Insurance Policy

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

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

Current Financial Strength Ratings

On June 27, 2019, 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 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 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 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 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 Park 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 "MUNICIPAL BOND INSURANCE – PARK BONDS – 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 Park Bonds or the advisability of investing in the Park 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 this heading "MUNICIPAL BOND INSURANCE – PARK BONDS."

RATINGS

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

The Utility Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy issued by MAC at the time of delivery of the Utility Bonds. An explanation of the ratings of S&P may only be obtained from S&P. The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. The District is not aware of any rating other than the insured rating to be assigned to the Utility Bonds by S&P upon the issuance of the municipal bond insurance policy issued by MAC at the time of delivery of the Utility Bonds.

The Park Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Park Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Park Bonds are expected to receive an insured rating of "A1" from Moody's. Moody's assigns the insured credit rating which is the highest of the (i) guarantor's financial strength rating, (ii) any published underlying rating on the security, or (iii) any published enhanced rating based on a state credit enhancement program. Moody's has assigned an underlying credit rating of "A1" to the Bonds and AGM's Moody's financial strength rating (the guarantor's financial strength rating) is "A2", which is lower than the District's underlying credit rating. Thus, the insured credit rating of AGM assigned to the Park Bonds by Moody's is "A1", which represents the District's underlying credit rating. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of S&P and Moody's.

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

Description	Harris County Improvement District No. 18 (the "District") is issuing its $7,240,000 Unlimited Tax Bonds, Series 2019 (the "Utility Bonds") and its $1,950,000 Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds," and together with the Utility Bonds, the "Bonds"). The Bonds are dated July 1, 2019, and mature on September 1 in the years and amounts set forth on the inside cover hereof. Interest accrues from July 1, 2019, at the rates per annum set forth on the inside cover hereof and is payable on March 1, 2020, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption	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 on September 1, 2024, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The Utility Bonds that mature on September 1 in each of the years 2035, 2039 and 2044, and the Park Bonds that mature on September 1 in each of the years 2033, 2035, 2037 and 2039, are term bonds that are also subject to the mandatory redemption provisions set out herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Source of Payment	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the Harris County Improvement District No. 18 and are not obligations of the State of Texas, Harris County, Texas; the City of Houston, Texas, or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The Utility Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, sewer and drainage system (the "System") to serve the District and for refunding purposes and the Park Bonds constitute the second series of unlimited tax park bonds issued by the District for the purpose of constructing parks and recreational facilities and for refunding purposes. Voters in the District have authorized a total of $637,000,000 principal amount of unlimited tax and refunding bonds to finance improvements to the System and $315,600,000 principal amount of unlimited tax and refunding bonds for parks and recreational facilities. Following the issuance of the Bonds, $504,925,000 principal amount of unlimited tax and refunding bonds for System improvements will remain authorized and unissued and $297,400,000 principal amount of unlimited tax and refunding bonds for parks and recreational facilities will remain authorized and unissued. In addition to the unlimited tax and refunding bonds authorized for System improvements and the

unlimited tax and refunding bonds authorized for parks and recreational facilities, voters in the District have also authorized a total of $15,100,000 principal amount of unlimited tax and refunding bonds for firefighting facilities, $128,000,000 principal amount of unlimited tax and refunding bonds for public parking facilities, $48,000,000 principal amount of unlimited tax and refunding bonds for economic development, and $11,000,000 principal amount of unlimited tax and refunding bonds for transit facilities. Further, voters within the District located in the Defined Area (herein defined) have authorized $1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements to serve the Defined Area. See "THE DISTRICT – Defined Area." See "THE BONDS – Issuance of Additional Debt." The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment." The Utility Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds (the "Utility Bond Resolution"); an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code, Chapter 375, Local Government Code, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The Park Bonds are issued pursuant to a resolution authorizing the issuance of the Park Bonds (the "Park Bond Resolution," and together with the Utility Bond Resolution, the "Bond Resolutions"); an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code, Chapter 375, Local Government Code, and Article XVI, Section 59 of the Texas Constitution. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Outstanding Bonds .... The District has previously issued $9,165,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"), $55,650,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), 22,020,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), $16,250,000 Unlimited Tax Park Bonds, Series 2015 (the "Series 2015 Park Bonds") and $38,000,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"). As of June 1, 2019, an aggregate of $129,420,000 principal amount of bonds remains outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds." The District has also issued bonds for the Defined Area. See "THE DEFINED AREA."

Principal Use of Proceeds .... The proceeds of the Utility Bonds will be used to finance (i) extension of trunk water and wastewater lines to serve an 80-acre tract, (ii) construction of a second ground storage tank at Water Plant No. 1, (iii) water, wastewater and drainage improvements to serve City Place Roadways, Phase 3, (iv) to reimburse developers for (a) the drainage facilities along Spring Stuebner Road and Holzwarth Road, (b) water and wastewater improvements to serve a 75-acre tract, (c) clearing and grubbing to serve Audubon Grove, and (d) water and wastewater improvements to serve Audubon Grove, Phase 1, (v) engineering and testing for items (i) through (iv), and (vi) contingencies for items (i) through (iii). In addition, the proceeds of the Utility Bonds will be used to pay for developer interest and the issuance costs associated with the Bonds. See

"USE AND DISTRIBUTION OF BOND PROCEEDS – The Utility Bonds."

The proceeds of the Park Bonds will be used to finance (i) landscape improvements for Spring Stuebner Road and Holzwarth Road, (ii) landscape improvements for CityPlace Roadways, Phase 3, (iii) reimbursing the developer of Audubon Grove for public recreational improvements, and (iv) engineering and testing for items (i) through (iii). In addition, the proceeds of the Park Bonds will be used to pay for developer interest and the issuance costs associated with the Park Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS – The Park Bonds."

Not Qualified Tax-Exempt Obligations .... The Bonds are **<u>NOT</u>** "Qualified Tax-Exempt Obligations" for financial institutions.

Municipal Bond Insurance .... Utility Bonds: Municipal Assurance Corp. ("MAC"). See "MUNICIPAL BOND INSURANCE – UTILITY BONDS – Utility Bond Insurance Policy."

Park Bonds: Assured Guaranty Municipal Corp ("AGM"). See "MUNICIPAL BOND INSURANCE – PARK BONDS – Park Bond Insurance Policy."

Ratings... Moody's Investors Service, Inc. (Underlying): "A1"

Utility Bonds: S&P Global Ratings (MAC Insured): "AA"

Park Bonds: Moody's Investors Service, Inc. (AGM Insured): "A1" S&P Global Ratings (AGM Insured): "AA"

General & Bond Counsel.................................. Allen Boone Humphries Robinson LLP, Houston, Texas.

Disclosure Counsel .... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor.. Robert W. Baird & Co. Incorporated, Houston, Texas.

District Engineer... Halff Associates, Inc., Houston, Texas.

THE DISTRICT

The Issuer .... The District was created in 2009 under Section 59, Article XVI, and Sections 52 and 52-a, Article III, Texas Constitution by Senate Bill 2510 of the Texas Legislature, 81st Regular Session, effective November 3, 2009, as codified in Chapter 3879 of the Texas Special District Local Laws Code. The District operates pursuant to Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375, Local Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 1,886.8 acres and is located entirely within Harris County and entirely within the extraterritorial jurisdiction of the City of Houston, Texas. See "THE DISTRICT – General."

Location .... The District is located in northern Harris County, Texas, approximately 24 miles north of downtown Houston and approximately 2 miles south of The Woodlands, Texas, a 28,000-acre master-planned community. The District is generally bordered on the north by Spring Creek, on the east by Interstate Highway 45, and on the south by Spring Stuebner Road. See "LOCATION MAP."

Defined Area No. 1 .... On August 24, 2011, the Board of Directors of the District designated 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which the ExxonMobil Corporation ("ExxonMobil") operates a corporate campus (approximately 385.88 acres). The District created the Defined Area to finance public roads and related improvements within the Defined Area, for which the District has sold unlimited tax road bonds, and intends to sell additional unlimited tax road bonds, supported by the taxable value only within the Defined Area. There is only one defined area created within the District. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for roads and related improvements to serve the Defined Area. To date, the District has issued $26,940,000 in principal amount of Defined Area road bonds, of which $25,985,000 principal amount of bonds remain outstanding. See "THE DEFINED AREA," "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

Agreement with Harris County .... On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with Harris County (the "County"), whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads in the Defined Area and certain park improvements within the District. The Agreement obligates the County to rebate up to $82,000,000 plus interest to the District to finance these improvements. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not determined to pledge such revenue to any future bond issue and there is no assurance the District will do so in the future. Through December 31, 2018, the County has rebated $13,339,834 and the outstanding reimbursement under the Agreement is $38,592,097 in principal plus accrued interest calculated at an estimated rate of 6.00%. See "THE DISTRICT – Economic Development Agreement with Harris County," "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

Principal Developer and Landowner........... The District is being developed as the master-planned, mixed-use community known as "Springwoods Village." The first developer of land in the District was Springwoods Realty Company ("SRC"). On December 31, 2014, SRC had a corporate reorganization and was subsequently dissolved and approximately 725.98 acres were transferred to Springwoods Realty, Inc. ("SRI" or the "Principal Developer"). SRI currently is the principal landowner by acreage within the District. An additional 78 acres, previously owned by SRC, are owned by several other development companies. CDC Houston, Inc. ("CDC"), a subsidiary of Coventry Development Corp. ("Coventry"), a New York corporation, manages all of the development companies that own the former SRC assets, including SRI, pursuant to certain asset management and development agreements (the "CDC Managed Entities"). Coventry is a national developer of master-planned communities in Colorado, Florida and Texas. As the Principal Developer, SRI is funding the development of major facilities to serve the District, with the intention of selling tracts of land to other developers (the "Other Developers") which will be responsible for providing the infrastructure for their tract or tracts to commercial entities for construction of businesses. SRI does not sell improved lots. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Principal Landowners' Obligations to the District," "THE PRINCIPAL

DEVELOPER," "THE OTHER DEVELOPERS/LANDOWNER" and "TAX DATA – Principal Taxpayers."

Other Developers/Landowners .... In December, 2008, SRC (now SRI) sold approximately 386 acres to Palmetto Transoceanic, LLC ("PTO"), an affiliate of ExxonMobil, which is a publicly-traded company. ExxonMobil has completed construction of a corporate campus which includes 23 individual buildings, totaling approximately 4,000,000 square feet, which provide work space for approximately 10,000 employees.

ExxonMobil, which did not participate in the preparation of this Official Statement, is a publicly traded company whose regulation statements, periodic reports and other publicly available financial information are available at the United States Securities and Exchange Commission's EDGAR website at http://www.sec.gov/edgar.shtml.

In December 2012, SRC sold approximately 25.62 acres to A.W. Realty Company ("AWR"), an affiliate of Southwestern Energy ("SWE"). SWE has constructed the first phase of its corporate headquarters with a 515,000 square foot office building. The campus provides works space for approximately 1,500 people. SWE has additional land under ownership that will allow it to double the size of its campus in the future.

In December 2012, SRC also sold approximately 6 acres to Martin Fein Interests ("Martin Fein"), on which Martin Fein constructed a 342-unit luxury apartment complex known as The Belvedere at Springwoods Village.

In February 2013, SRC sold approximately 23 acres to Taylor Morrison Homes ("Taylor Morrison") on which Taylor Morrison developed a 51-lot subdivision known as "Audubon Grove".

In February 2013, SRC sold approximately 9 acres to Centerpoint Energy. Centerpoint has completed a new electric substation, the "Springwoods Station". All electric distribution in Springwoods Village will be underground.

In March 2013, SRC sold approximately 16 acres to Sullivan Brothers Builders. Sullivan Brothers is developing an 88-lot single-family and townhome subdivision known as Harper Woods.

In August 2013, SRC sold approximately 9.5 acres to Northside Offices, LLC. Northside Offices, LLC has not released the details of its constructions plan for its property.

In December 2014, SRI sold approximately 3.74 acres to Springwoods Residential LP, an affiliate of Martin Fein, on which Martin Fein has developed a 268-unit luxury apartment complex known as The Mark at CityPlace.

In May 2014, CHI St. Luke's Health System ("St. Luke's") purchased 23 acres to develop a medical campus. According to St. Luke's, the initial phase of the campus which includes a 180,000 square foot medical office building, ambulatory center and surgery center, has been completed. St. Luke's is a non-profit healthcare system with locations throughout the Houston-area. Beginning in the 2018 tax year, St. Luke's has claimed the ambulatory & surgery centers are non-profit, and therefore is exempt from property taxes.

In September 2014, SRC sold 3.57 acres to Harris County on which a fire and EMT station for Harris County Emergency Services District No. 7 and 11 was constructed.

In February 2014, SRC sold approximately 3.28 acres to Tuscany Hotels, LLC, an affiliate of the Woodbine Development Company, of Dallas, Texas ("Woodbine"). Woodbine developed a 128-room Marriott Residence Inn.

In February 2015, SRI additionally sold approximately 2.92 acres to Woodbine, on which Woodbine developed a 125-room Marriot Courtyard Hotel.

In July 2015, SRI sold approximately 2.49 acres to ExxonMobil who conveyed the land to Thomas Oil, which developed a Speedy Stop fuel station, convenience store, lube center and car wash.

In late 2015, CDC Managed Entities entered into a joint venture with Regency Centers Corporation for the development of 31 acres as The Market at Springwoods Village ("The Market"). A second phase of The Market is planned for 21.40 acres adjacent to phase 1 and pre-leasing is underway. The timing of the construction of phase 2 has not yet been finalized.

In May 2016, CDC Managed Entities finalized a joint venture with the Patrinely Group LLC and USAA Real Estate Company for the development of CityPlace, a 60-acre mixed use urban center in Springwoods Village. The buildings in CityPlace will feature ground-level retail with office space above. Development has been completed on approximately 2.68 acres (320,000 square feet) of CityPlace. The joint venture's master plan for CityPlace includes up to 4 million square feet of office space, 500,000 square feet of retail space and multifamily housing, as well as at least one full service hotel which will be developed in a separate joint venture, as described below.

In November 2016, SRI sold approximately 3.5 acres to CVS Pharmacy, Inc for the construction of a CVS pharmacy which opened for business in July 2017

In March 2017, CDC Managed Entities finalized a joint venture with Woodbine Development and USAA Real Estate Company for the development of a 337-room full service Marriott Hotel adjacent to the ABS headquarters. The hotel was completed in the fourth quarter of 2018 and contains approximately 25,000 square feet of meeting space and a full service restaurant.

In April 2017, SRI finalized a joint venture with USAA Real Estate and Patrinely Group LLC on a 11.8 acre parcel to construct a corporate campus comprising approximately 378,000 square feet. Hewlett Packard, Inc ("HPI") fully occupied these buildings in the 4th quarter of 2018.

Development Within the District .... SRI has developed, on behalf of the District, all of the major infrastructure which serves Springwoods Village. SRI is reimbursed for the costs of public infrastructure from surplus operating funds, bonds issued by the District and from revenues from Harris County pursuant to the Agreement.

ExxonMobil has completed construction of a corporate campus on 386 acres. The campus is comprised of 23 individual buildings, totaling approximately 4,000,000 square feet, which provides work space for approximately 10,000 employees.

Approximately 25.62 acres fronting Interstate Highway 45 has been developed into a corporate headquarters campus for SWE. The first phase of the campus totaling approximately 515,000 square feet of office space is complete which provides working space for approximately 1,500 employees. AWR retains ownership of additional acreage which may be developed as phase 2 of the project. If completed, phase 2 is expected to double the number of employees, but no construction schedule has been determined.

Taylor Morrison has developed a 51-lot single-family subdivision known as Audubon Grove on 23 acres. As of May 1, 2019, there were 51 complete and occupied homes. Taylor Morrison is marketing the homes ranging from $650,000 to $750,000 in price and 3,200 to 4,500 in square footage.

Martin Fein has completed the development of a 342-unit luxury apartment complex called The Belvedere at Springwoods Village, on approximately 6 acres. The apartment complex offers one, two, and three bedroom units for lease. According to Martin Fein, The Belvedere has stabilized occupancy.

Sullivan Brothers developed 88 townhome and single-family lots within a subdivision known as Harper Woods on 16 acres. As of May 1, 2019, there were 31 complete and occupied homes, 5 complete and unoccupied homes and 52 vacant lots in Harper Woods. The townhomes and single-family homes are being marketed from $300,000 to $550,000 and range in square footage from 1,800 to 3,200.

St. Luke's has developed approximately 23 acres as the initial phase of their campus which includes an 180,000 square foot medical office building, ambulatory center and surgery center. The medical office building is approximately 90% leased. St. Luke's master plan anticipates continued expansion with additional medical office space and up to 300 hospital beds. As of tax year 2018, St. Luke's claimed the ambulatory and surgery centers are tax-exempt under Texas law from ad valorem taxes. The District has no control over the designation of improvements as tax-exempt. Any such tax-exempt designation is determined by the Harris County Appraisal District pursuant to applicable law.

Thomas Oil developed 2.49 acres as a Speedy Stop fuel station, convenience store, lube center and car wash.

Tuscany Hotels, LLC (Woodbine Development Company affiliate) developed a 128-room Marriott Residence Inn on 3.28 acres. An additional 2.92 acres have been developed by Woodbine as a 125-room Marriott Courtyard hotel.

Centerpoint Energy has completed a new electric substation, the Springwoods Station on approximately 9 acres, from which all electric distribution in Springwoods Village will be underground.

Harris County Emergency Services District Nos. 7 and 11 have jointly constructed a fire and EMT station in the District on 3.57 acres.

CVS Pharmacy, Inc completed a CVS store on approximately 3.5 acres and opened for business in July 2017

The joint venture comprised of CDC Managed Entities and Regency Centers Corporation developed 31 acres as The Market. Phase 1 of The Market is anchored by a 100,000 square feet Kroger grocery store. In addition to Kroger, phase 1 includes approximately 60,000 square feet of retail shops, including Torchy's Tacos, Chik-Fil-A, Zoe's Kitchen, B Good, Banfield Pet Hospital, Tarkandian Kitchen, MOD Pizza, Natural Pawz, Jinya Ramen Bar, Frost Bank, Regions Bank and various smaller tenants. A second phase of The Market is planned for 21.40 acres adjacent to phase 1 and pre-leasing is underway. The timing of the construction of phase 2 has not yet been finalized.

The joint venture comprised of CDC Managed Entities, Patrinely Group LLC and USAA Real Estate Company developed the first phase of CityPlace, a 60-acre mixed use urban center in Springwoods Village. Currently, the joint venture has completed development of 300,000 square feet of office space and 20,000 square feet of retail space in CityPlace. At completion, it is expected that CityPlace will be comprised of 4 million square feet of office space and 500,000 square feet of retail space. American Bureau of Shipping ("ABS") has signed a long-term lease for the entirety of the first building (approximately 300,000 square feet) in CityPlace. ABS has moved its headquarters to Springwoods Village, with occupancy completed in October 2018 for 1,500 employees. Retail amenities in CityPlace include a 10-screen Star Cinema Grill, a 24-Hour Fitness (estimated completion in 4th quarter of 2019) and retail tenants commited to lease space include Common Bond and Island Grill. In addition, Martin Fein has constructed The Mark at CityPlace, a 268-unit apartment complex, which includes approximately 8,500 square feet of retail space facing Lake Plaza Drive. The Mark offers one, two and three bedroom units for lease and is currently 80% leased.

CityPlace also includes a 337-room full-service Marriott Hotel, with 25,000 square feet of meeting space and a full-service restaurant.

In April 2017 SRI finalized a joint venture with USAA Real Estate and Patrinely Group LLC on a 11.8 acre parcel to construct a corporate campus comprising approximately 378,000 square feet.

The remaining acreage in the District consists of approximately 707 undeveloped but developable acres and approximately 72 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT."

Future Development .... As discussed above, future phases of the SWE campus, St. Luke's, The Market and CityPlace are currently planned, although the District is not aware of any timeline for construction and makes no representation about the likelihood or timing of future phases being completed. In addition, Northside Offices, LLC has purchased approximately 9.5 acres, for which details have not yet been announced.

SRI plans for Springwoods Village to contain additional single-family, multi-family, senior residential, corporate, commercial and retail developments. Springwoods Village will contain a 250-acre regional park system, which will include trails, green space, water features, ball parks, as well as other amenities. Additionally, the development and access to Springwoods Village is integrated with the Grand Parkway, a 180+ mile circumferential highway traversing seven counties and encircling the greater Houston region, along the southern boundary of the District. Construction of this phase of the Grand Parkway has been completed.

No representation can be made about the timing and completion of any future developments, the regional park or the completion of all segments of the Grand Parkway.

The District can make no representation as to the likelihood of any of the described future development or any other future development in the District. See "INVESTMENT CONSIDERATIONS" and "FUTURE DEVELOPMENT."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2018 Assessed Valuation	$	1,845,774,984	(a)
See "TAX DATA" and "TAXING PROCEDURES."			
2019 Preliminary Valuation	$	2,239,568,651	(b)
See “TAX DATA” and “TAXING PROCEDURES.”			
Estimated Valuation as of May 1, 2019	$	2,263,207,613	(c)
See "TAX DATA" and "TAXING PROCEDURES."			
Direct Debt:			
The Outstanding Bonds	$	129,420,000	
The Utility Bonds		7,240,000	
The Park Bonds		1,950,000	
Total	$	138,610,000	
Estimated Overlapping Debt	$	147,459,080	(d)
Total Direct and Estimated Overlapping Debt	$	286,069,080	
Ratio of Direct Debt to:			
2018 Assessed Valuation ($1,845,774,984)		7.51	%
2019 Preliminary Valuation ($2,239,568,651)		6.19	%
Estimated Valuation as of May 1, 2019 ($2,263,207,613)		6.12	%
Ratio of Direct and Estimated Overlapping Debt to:			
2018 Assessed Valuation ($1,845,774,984)		15.50	%
2019 Preliminary Valuation ($2,239,568,651)		12.77	%
Estimated Valuation as of May 1, 2019 ($2,263,207,613)		12.64	%
Debt Service Fund Balance (as of May 22, 2019)	$	11,168,790	(e)
Operating Fund Balance (as of May 22, 2019)	$	19,270,582	
Capital Projects Fund Balance (as of May 22, 2019)	$	183,074	
Defined Area Debt Service Fund Balance (as of May 22, 2019)	$	2,429,112	
Defined Area Capital Projects Fund Balance (as of May 22, 2019)	$	454,606	
2018 Tax Rate			
Debt Service		$ 0.50	
Maintenance & Operation		0.25	
Defined Area Debt Service		0.30	
Total		$ 1.05	
Average Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2019-2044)	$	7,658,083	(f)
Maximum Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2037)	$	9,863,588	(f)
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2019-2044) at 95% Tax Collections:			
Based Upon 2018 Assessed Valuation ($1,845,774,984)		$ 0.44	
Based Upon 2019 Preliminary Valuation ($2,239,568,651)		$ 0.36	
Based Upon Estimated Valuation at May 1, 2019 ($2,263,207,613)		$ 0.36	
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2037) at 95% Tax Collections:			
Based Upon 2018 Assessed Valuation ($1,845,774,984)		$ 0.57	
Based Upon 2019 Preliminary Valuation ($2,239,568,651)		$ 0.47	
Based Upon Estimated Valuation at May 1, 2019 ($2,263,207,613)		$ 0.46	

(a) Certified taxable assessed value of taxable property within the District valued as of January 1, 2018, as provided by the Harris County Appraisal District ("HCAD").

(b) Provided by HCAD as the preliminary value as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."

(c) Provided by the HCAD for information purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2019, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2018, through May 1, 2019. No taxes will be levied against this amount. See "DEVELOPMENT WITHIN THE DISTRICT."

(d) Includes $25,985,000 principal amount of bonds issued by the Defined Area. See "THE DEFINED AREA" and "DISTRICT FINANCIAL DATA - Estimated Direct and Overlapping Debt Statement."

(e) Neither Texas Law nor the Bond Resolutions require that the District maintain any particular sum in the Debt Service Fund.

(f) See "DISTRICT DEBT – Debt Service Requirements."

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OFFICIAL STATEMENT

relating to

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

$7,240,000 **UNLIMITED TAX BONDS** **SERIES 2019**	**$1,950,000** **UNLIMITED TAX PARK BONDS** **SERIES 2019**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Improvement District No. 18 (the "District") of its $7,240,000 Unlimited Tax Bonds, Series 2019 (the "Utility Bonds") and its $1,950,000 Unlimited Tax Park Bonds (the "Park Bonds," together with the Utility Bonds the "Bonds").

The Utility Bonds are issued pursuant to a resolution authorizing the issuance of the Utility Bonds (the "Utility Bond Resolution"); an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375, Local Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution.

The Park Bonds are issued pursuant to a resolution authorizing the issuance of the Park Bonds (the "Park Bond Resolution," and together with the Utility Bond Resolution, the "Bond Resolutions"); an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code, Chapter 375, Local Government Code, and Article XVI, Section 59 of the Texas Constitution.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolutions.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing and handling charges.

THE BONDS

General

The Bonds will bear interest from July 1, 2019, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover hereof. Interest on the Bonds will be paid on March 1, 2020, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of $5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resign or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is Zions Bancorporation, National Association, Houston, Texas, (the "Paying Agent/Registrar").

Redemption Provisions

Optional Redemption

The 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 in time in part, on September 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall effect the sufficiency of notice given as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 of any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Utility Bonds that mature on September 1 in each of the years 2035, 2039 and 2044 are term bonds (the "Utility Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Utility Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

$610,000 Utility Term Bonds Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2034	$ 300,000
September 1, 2035 (Maturity)	$ 310,000

$1,365,000 Utility Term Bonds Maturing on September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 325,000
September 1, 2037	$ 335,000
September 1, 2038	$ 345,000
September 1, 2039 (Maturity)	$ 360,000

$1,990,000 Utility Term Bonds Maturing on September 1, 2044

Mandatory Redemption Date	Principal Amount
September 1, 2040	$ 370,000
September 1, 2041	$ 385,000
September 1, 2042	$ 400,000
September 1, 2043	$ 410,000
September 1, 2044 (Maturity)	$ 425,000

The Park Bonds that mature on September 1 in each of the years 2033, 2035, 2037 and 2039 are term bonds (the "Park Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Park Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

$155,000 Park Term Bonds Maturing on September 1, 2033

Mandatory Redemption Date	Principal Amount
September 1, 2032	$ 75,000
September 1, 2033 (Maturity)	$ 80,000

$165,000 Park Term Bonds Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2034	$ 80,000
September 1, 2035 (Maturity)	$ 85,000

$175,000 Park Term Bonds Maturing on September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 85,000
September 1, 2037 (Maturity)	$ 90,000

$190,000 Park Term Bonds Maturing on September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2038	$ 95,000
September 1, 2039 (Maturity)	$ 95,000

The Utility Term Bonds and the Park Term Bonds are collectively referred to as the "Term Bonds." The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds which, at least 30 days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Debt Service Fund, as applicable, at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Registration, Transfer and Exchange

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owners of the Bonds (the "Registered Owners"), except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolutions for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent 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 for the Bonds.

Source of 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 assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the 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 cost of collection. In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds previously or hereafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; Harris County, Texas (the "County"); the City of Houston, Texas (the "City"); or any other political subdivision or any entity other than the District.

Authority for Issuance

The Utility Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, sewer and drainage system (the "System") to serve the District and for refunding purposes. The Park Bonds constitute the second series of unlimited tax park bonds issued by the District for the purpose of constructing park and recreational facilities and for refunding purposes. Voters in the District have authorized a total of $637,000,000 principal amount of unlimited tax bonds to finance improvements to the System and for refunding purposes and $315,600,000 principal amount of unlimited tax park bonds to construct parks and recreational facilities and for refunding purposes.

The Utility Bonds are issued pursuant to the Utility Bond Resolution; an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375, Local Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution.

The Park Bonds are issued pursuant to the Park Bond Resolution; an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code, Chapter 375, Local Government Code, and Article XVI, Section 59 of the Texas Constitution.

Issuance of Additional Debt

The District may issue additional bonds. The District's voters have authorized (i) $637,000,000 principal amount of unlimited tax bonds for improvements to the System and for refunding purposes, (ii) $315,600,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes, (iii) $15,100,000 principal amount of unlimited tax bonds for firefighting facilities and for refunding purposes, (iv) $128,000,000 principal amount of unlimited tax and refunding bonds for public parking facilities and refunding purposes, (v) $48,000,000 principal amount of unlimited tax bonds for economic development projects and for refunding purposes, and (vi) $11,000,000 principal amount of unlimited tax bonds for transit facilities and for refunding purposes. The Utility Bonds are the fifth series of unlimited tax bonds for improvements to the System and refunding purposes and the Park Bonds are the second series of unlimited tax bonds for park and recreational facilities and for refunding purposes issued by the District. Following the issuance of the Bonds, $504,925,000 principal amount of unlimited tax bonds for improvements to the System and for refunding purposes, $297,400,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes, and $15,100,000 principal amount of unlimited tax bonds for firefighting facilities and for refunding purposes will remain authorized but unissued. The District makes no representation as to the timing of the issuance of such bonds.

On August 24, 2011, the Board designated approximately 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil Corporation ("ExxonMobil") has constructed a corporate campus. The Defined Area was created to finance road improvements in the Defined Area, for which the Defined Area intends to sell ad valorem unlimited tax bonds. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements to serve the Defined Area. To date, the District has issued $26,940,000 principal amount unlimited tax bonds for road improvements within the Defined Area, of which $25,985,000 remain outstanding. The Defined Area has $1,150,060,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements remaining authorized but unissued.

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues are used to finance certain major thoroughfare roads in the Defined Area and certain park improvements within the District. The Agreement obligates the County to rebate 65% of taxes the County receives on the incremental tax value of real property developed in the District up to $82,000,000 plus interest to the District to finance these improvements. Bonds are not issued to finance improvements included in the Agreement. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to the Bonds or to any outstanding bond issue and there is no expectation that the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2018, is $38,592,097 in principal, plus accrued interest calculated at a rate of 6% per annum. To date the County has rebated a total of $13,339,834 to the District. See "THE DISTRICT – Economic Development Agreement with Harris County."

Following the issuance of the Bonds, the District will not owe the Principal Developer (herein defined) or the Other Developers (herein defined) for expenditures advanced for water, sewer, and drainage facilities and park and recreational facilities within the District. Further, the District has fully reimbursed the Principal Developer for the reimbursable expenditures advanced for road improvements, but will still owe the Other Developers approximately $1,200,000 for the reimbursable expenditures advanced for road improvements, which will be reimbursed from bonds to be secured by taxes levied on property within the Defined Area. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Based on present engineering cost estimates and on development plans supplied by the Principal Developer, in the opinion of the District's consulting engineer following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Principal Developer the remaining amounts owed for the existing utility facilities and to finance the extension of water, wastewater and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Outstanding Bonds

The District has previously issued $9,165,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"), $55,650,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), $22,020,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), $16,250,000 Unlimited Tax Park Bonds, Series 2015 (the "Series 2015 Park Bonds") and $38,000,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"). As of June 1, 2019, an aggregate of $129,420,000 in principal amount of bonds remains outstanding (the "Outstanding Bonds").

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do 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. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the

Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase 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 in 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.

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

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 Issue 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).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The Utility Bonds

The proceeds of the Utility Bonds will be used to finance (i) extension of trunk water and wastewater lines to serve an 80-acre tract, (ii) construction of a second ground storage tank at Water Plant No. 1, (iii) water, wastewater and drainage improvements to serve City Place Roadways, Phase 3, (iv) to reimburse developers for (a) the drainage facilities along Spring Stuebner Road and Holzwarth Road, (b) water and wastewater improvements to serve a 75-acre tract, (c) clearing and grubbing to serve Audubon Grove, and (d) water and wastewater improvements to serve Audubon Grove, Phase 1, (v) engineering and testing for items (i) through (iv), and (vi) contingencies for items (i) through (iii). In addition, the proceeds of the Utility Bonds will be used to pay for developer interest and the issuance costs associated with the Bonds.

	District's Share
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Spring Stuebner Road & Holzwarth Road Improvements – Drainage	$ 158,638
2. Public Utilities & Improvements for 75-Acre Tract – Water & Wastewater	157,410
3. Audubon Grove at Springwoods Village, Section 1 – Clearing & Grubbing	20,610
4. Audubon Grove – Water & Wastewater	507,699
5. Water & Wastewater Line Extension to Serve 80-Acre Tract	620,080
6. CityPlace Roadways, Phase 3 – Water, Wastewater & Drainage	663,417
7. Contingencies (15% of Item Nos. 5 &6)	192,525
8. Engineering, Testing & Permitting (23% of Item Nos. 1-6)	489,348
Total Developer Contribution Items	**$ 2,809,727**
B. District Items	
1. Ground Storage Tank No. 2 at Water Plant No. 1	$ 2,522,647
2. Contingencies (15% of Item No. 1)	378,397
3. Engineering, Testing & Permitting (25% of Item No. 1)	630,662
Total District Items	**$ 3,531,706**
TOTAL CONSTRUCTION COSTS	**$ 6,341,433**
NONCONSTRUCTION COSTS	
A. Legal Fees	$ 184,800
B. Fiscal Agent Fees	144,800
C. Developer Interest	210,131
D. Bond Discount	74,539
E. Bond Issuance Expenses	60,696
F. Bond Application Report Costs	55,600
G. Attorney General Fee	7,240
H. TCEQ Bond Issuance Fee	18,100
I. Contingency (a)	142,661
TOTAL NONCONSTRUCTION COSTS	**$ 898,567**
TOTAL BOND ISSUE REQUIREMENT	**$ 7,240,000**

(a) Represents the difference between the estimated and actual amount of discount on the Utility Bonds.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the Texas Commission on Environmental Quality (the "TCEQ"). In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

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The Park Bonds

The proceeds of the Park Bonds will be used to finance (i) landscape improvements for Spring Stuebner Road and Holzwarth Road, (ii) landscape improvements for CityPlace Roadways, Phase 3, (iii) reimbursing the developer of Audubon Grove for public recreational improvements, and (iv) engineering and testing for items (i) through (iii). In addition, the proceeds of the Park Bonds will be used to pay for developer interest and the issuance costs associated with the Park Bonds.

		District's Share
CONSTRUCTION COSTS		
A.	Audubon Grove – Recreational	$ 331,823
B.	Spring Stuebner Rd & Holzwarth Rd Public Landscape Improvements	834,678
C.	CityPlace Roadways, Phase 3 – Landscape Items	127,466
D.	Engineering & Testing (20.7% of Item Nos. 1-3)	267,486
	TOTAL CONSTRUCTION COSTS	**$ 1,561,453**
NONCONSTRUCTION COSTS		
A.	Bond Issuance Expenses and Fees	$ 143,337
B.	Developer Interest	184,760
C.	Bond Discount (3%)	58,500
D.	Attorney General Fee (0.1% or $9,500 max)	1,950
	TOTAL NONCONSTRUCTION COSTS	**$ 388,547**
	TOTAL BOND ISSUE REQUIREMENT	**$ 1,950,000**

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AERIAL PHOTOGRAPH OF THE DISTRICT

THE DISTRICT

General

The District was created in 2009, and is a political subdivision of the State of Texas, operating as a municipal management district pursuant to Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375, Local Government Code; Chapters 49 and 54 of the Texas Water Code; Article III, Section 52 and 52a, and Article XVI, Section 59 of the Texas Constitution. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal management districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered to finance certain road improvements located in the Defined Area. The District may also provide solid waste collection and disposal service and may finance, operate, maintain and construct recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservations and reclamation districts, if approved by the TCEQ. The District currently does not operate and/or maintain a fire department but is served by a station within the District through Harris County Emergency Services District Nos. 7 and 11. The District is also empowered, under its creation legislation, to undertake public parking facilities, transit facilities and economic development projects.

The District's powers include the authority to levy a sales tax and a hotel occupancy tax within the District's boundaries. The District is currently levying a sales and use tax of 1.00% on all sales made within the boundaries of District and a hotel occupancy tax of 7% on the hotels within its boundaries.

Location

The District encompasses approximately 1,886.8 acres and is located in northern portion of the County, approximately 24 miles north of downtown Houston, approximately 2 miles south of The Woodlands, Texas, (a 28,000-acre master-planned community), and is located entirely within the extraterritorial jurisdiction of the City. The District is generally bordered on the north by Spring Creek, on the east by Interstate Highway 45, and on the south by Spring Stuebner Road. See "LOCATION MAP."

Economic Development Agreement with Harris County

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues are used to finance certain major thoroughfare roads in the Defined Area and certain park improvements within the District. The Agreement obligates the County to rebate 65% of taxes the County receives on the incremental tax value of real property developed in the District up to $82,000,000 plus interest to the District to finance these improvements. Bonds are not issued to finance improvements included in the Agreement. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to the Bonds or to any outstanding bond issue and there is no expectation that the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2018 is $38,592,097 in principal, plus accrued interest calculated at a rate of 6% per annum. To date the County has rebated a total of $13,339,834 to the District.

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Management of the District

The District is governed by a board of directors (the "Board"), consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, and are appointed by the TCEQ from nominations made by the Board. All of the directors are qualified to serve.

Name	Position	Term Expires May
Robert T. Deden	President	2023 (a)
Sue Darcy	Secretary	2023 (a)
Dwayne L. Mason	Vice President	2021
Craig Doyal	Assistant Vice President	2023 (a)
Richard L. Rose	Assistant Secretary	2021

(a) The TCEQ is processing an application from the District for appointment of these directors to 4-year terms ending in 2023.

General Manager – Mike Stone Associates, Inc. acts as general manager of the District.

Tax Assessor/Collector – Land and improvements in the District are appraised by the Harris County Appraisal District. The Tax Assessor/Collector for the District is Assessments of the Southwest, Inc.

Bookkeeper – The District contracts with Municipal Accounts & Consulting, LP as Bookkeeper for the District.

Engineer – The District's consulting engineer is Halff Associates, Inc. (the "Engineer"). For purposes of submittal of bond applications to the TCEQ, Jones-Heroy & Associates, Inc. has been engaged on behalf of the District. Jones & Carter, Inc. has been engaged to handle construction management services on behalf of the District.

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McGrath & Co, PLLC for the fiscal year ended December 31, 2018 is included as APPENDIX A to this Official Statement.

Financial Advisor – Robert W. Baird & Co. Incorporated (the "Financial Advisor") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Bond and General Counsel – The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as the District's general counsel.

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEFINED AREA

On August 24, 2011, the Board of Directors of the District designated 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which the ExxonMobil Corporation ("ExxonMobil") operates a corporate campus (approximately 385.88 acres). The District created the Defined Area to finance public roads and related improvements within the Defined Area. There is only one defined area created within the District. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for roads and related improvements to serve the Defined Area. To date, the District has issued $26,940,000 in principal amount of Defined Area road bonds, of which $25,985,000 principal amount of bonds remain outstanding.

The 2018 Assessed Valuation of the Defined Area is $620,526,756, the 2019 Preliminary Valuation is $808,722,483 and the Estimated Assessed Valuation as of May 1, 2019, is $836,473,179. The Maximum Annual Debt Service Requirement for the Defined Area Bonds is $1,818,900 (2040) and the Average Annual Debt Service Requirement for the Defined Area Bonds is $1,662,994 (2019-2041). Assuming no increase to nor decrease from the 2018 Assessed Taxable Valuation of the Defined Area, tax rates of $0.31 and $0.29 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirement, respectively. Assuming no increase to nor decrease from the 2019 Preliminary Taxable Valuation of the Defined Area, tax rates of $0.24 and $0.22 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirement, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation of the Defined Area as of May 1, 2019 tax rates of $0.23 and $0.21 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirement, respectively. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

THE PRINCIPAL DEVELOPER

The Role of the Developer

In general, the activities of a developer in a municipal management district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the community, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, telecommunications, and electric service) and selling improved lots and commercial reserves or land to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage in a municipal management district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal management district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is also a major taxpayer within a municipal management district during the development phase of the property.

Springwoods Realty, Inc.

The first developer of land in the District was Springwoods Realty Company ("SRC"). On December 31, 2014, SRC had a corporate reorganization and was subsequently dissolved and approximately 725 acres were transferred to Springwoods Realty, Inc. ("SRI" or the "Principal Developer"). SRI currently is the principal landowner within the District, in terms of acreage owned. An additional 78 acres, previously owned by SRC, are owned by several development companies. CDC Houston, Inc. ("CDC"), a subsidiary of Coventry Development Corp. ("Coventry"), a New York corporation manages all of the development companies that own the former SRC assets, including SRI, pursuant to certain asset management and development agreements (the "CDC Managed Entities"). Coventry is a national developer of master-planned communities in Colorado, Florida and Texas. As the Principal Developer, SRI is funding the development of major facilities to serve the District, with the intention of selling tracts of land to other developers (the "Other Developers") which will be responsible for providing the infrastructure for their tract or tracts. SRI does not sell improved lots. The District is being developed as the master-planned, mixed-use community known as "Springwoods Village." See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Principal Landowners' Obligations to the District," "THE OTHER DEVELOPERS/LANDOWNERS" and "TAX DATA – Principal Taxpayers."

THE OTHER DEVELOPERS/LANDOWNERS

Palmetto Transoceanic, LLC (ExxonMobil affiliate)

In December, 2008, SRC (now SRI) sold approximately 386 acres to Palmetto Transoceanic, LLC ("PTO"), an affiliate of ExxonMobil, which is a publicly-traded company. ExxonMobil has completed construction of a corporate campus which includes 23 individual buildings, totaling approximately 4,000,000 square feet, which provide work space for approximately 10,000 employees.

ExxonMobil, which did not participate in the preparation of this Official Statement, is a publicly traded company whose regulation statements, periodic reports and other publicly available financial information are available at the United States Securities and Exchange Commission's EDGAR website at http://www.sec.gov/edgar.shtml.

A.W. Realty Company

In December, 2012, SRC sold approximately 25.62 acres to A.W. Realty Company ("AWR"), an affiliate of Southwestern Energy ("SWE"). SWE has constructed the first phase of its corporate headquarters with a 515,000 square foot office building. The campus provides works space for approximately 1,500 people. SWE has additional land under ownership that will allow it to double the size of its campus in the future.

Taylor Morrison Homes

In February, 2013, SRC sold approximately 23 acres to Taylor Morrison Homes ("Taylor Morrison") on which Taylor Morrison developed a 51-lot subdivision known as "Audubon Grove".

Martin Fein Interests

In December, 2012, SRC also sold approximately 6 acres to Martin Fein Interests ("Martin Fein"), on which Martin Fein constructed a 342-unit luxury apartment complex known as The Belvedere at Springwoods Village.

In December, 2014, SRI sold approximately 3.74 acres to Springwoods Residential LP, an affiliate of Martin Fein, on which Martin Fein has developed a 268-unit luxury apartment complex known as The Mark at CityPlace.

Sullivan Brothers

In March, 2013, SRC sold approximately 16 acres to Sullivan Brothers Builders. Sullivan Brothers is developing an 88-lot single-family and townhome subdivision known as Harper Woods.

CHI St. Luke's Health System

In May, 2014, CHI St. Luke's Health System ("St. Luke's") purchased 23 acres to develop a medical campus. According to St. Luke's, the initial phase of the campus which includes an 180,000 square foot medical office building, ambulatory center and surgery center, has been completed. St. Luke's is a non-profit healthcare system with locations throughout the Houston-area. Beginning in the 2018 tax year, St. Luke's ambulatory & surgery centers claimed that the ambulatory and surgery centers are non-profit, and therefore are exempt from property taxes.

Tuscany Hotels, LLC (The Woodbine Development Company Affiliate)

In February, 2014, SRC sold approximately 3.28 acres to Tuscany Hotels, LLC, an affiliate of the Woodbine Development Company, of Dallas, Texas ("Woodbine"). Woodbine developed a 128-room Marriott Residence Inn.

In February, 2015, SRI additionally sold approximately 2.92 acres to Woodbine, on which Woodbine developed a 125-room Marriot Courtyard Hotel.

Thomas Oil

In July, 2015, SRI sold approximately 2.49 acres to ExxonMobil who conveyed the land to Thomas Oil, which developed a Speedy Stop fuel station, convenience store, lube center and car wash.

Northside Offices, LLC

In August, 2013, SRC sold approximately 9.5 acres to Northside Offices, LLC. Northside Offices, LLC has not released the details of its construction plans for its property.

Centerpoint Energy

In February, 2013, SRC sold approximately 9 acres to Centerpoint Energy. Centerpoint has completed a new electric substation, the "Springwoods Station". All electric distribution in Springwoods Village will be underground.

CVS Pharmacy, Inc.

In November 2016, SRI sold approximately 3.5 acres to CVS Pharmacy, Inc. CVS has completd a CVS store and opened for business in July 2017.

Spring Stuebner RRC I Inc. and Spring Stuebner RRC II Inc.

In late 2015, CDC Managed Entities entered into a joint venture with Regency Centers Corporation for the development of 31 acres as The Market at Springwoods Village ("The Market"). A second phase of The Market is planned for 21 acres adjacent to phase 1 and pre-leasing is underway. The timing of the construction of phase 2 has not yet been finalized.

Springwoods 2, Inc.

In May 2016, CDC Managed Entities finalized a joint venture with the Patrinely Group LLC and USAA Real Estate Company for the development of CityPlace, a 60-acre mixed use urban center in Springwoods Village. The buildings in CityPlace will feature ground-level retail with office space above. Development has been completed on approximately 2.68 acres (300,000 square feet) of CityPlace. The joint venture's master plan for CityPlace includes up to 4 million square feet of office space, 500,000 square feet of retail space and multifamily housing, as well as at least one full service hotel which will be developed in a separate joint venture, as described below.

In March 2017, CDC Managed Entities finalized a joint venture with Woodbine Development and USAA Real Estate Company for the development of a 337-room full service Marriott Hotel adjacent to the ABS headquarters. The hotel was completed in the fourth quarter of 2018 and contains approximately 25,000 square feet of meeting space and a full service restaurant.

HP, Inc.

In April 2017, SRI finalized a joint venture with USAA Real Estate and Patrinely Group LLC on a 11.8 acre parcel to construct a corporate campus comprising approximately 378,000 square feet. Hewlett Packard, Inc ("HPI") fully occupied these buildings in the 4th quarter of 2018.

DEVELOPMENT WITHIN THE DISTRICT

SRI has developed, on behalf of the District, all of the major infrastructure which serves Springwoods Village. SRI is reimbursed for the costs of public infrastructure from surplus operating funds, bonds issued by the District and from revenues from Harris County pursuant to the Agreement.

ExxonMobil Campus

ExxonMobil has completed construction of a corporate campus on 386 acres. The campus is comprised of 23 individual buildings, totaling approximately 4,000,000 square feet, which provides work space for approximately 10,000 employees.

Southwestern Energy Headquarters

Approximately 25.62 acres fronting Interstate Highway 45 has been developed into a corporate headquarters campus for SWE. The first phase of the campus totaling approximately 515,000 square feet of office space is complete which provides working space for approximately 1,500 employees. AWR retains ownership of additional acreage which may be developed as phase 2 of the project. If completed, phase 2 is expected to double the number of employees, but no construction schedule has been determined.

The Market at Springwoods Village

The joint venture comprised of CDC Managed Entities and Regency Centers Corporation developed 31 acres as The Market. Phase 1 of The Market is anchored by a 100,000 square feet Kroger grocery store. In addition to Kroger, phase 1 includes approximately 60,000 square feet of retail shops, including Torchy's Tacos, Chik-Fil-A, Zoe's Kitchen, B Good, Banfield Per Hospital, Tarkandian Kitchen, MOD Pizza, Natural Pawz, Jinya Ramen Bar, Frost Bank, Regions Bank and various smaller tenants. A second phase of The Market is planned for 21 acres adjacent to phase 1 and pre-leasing is underway. The timing of the construction of phase 2 has not yet been finalized.

CityPlace

The joint venture comprised of CDC Managed Entities, Patrinely Group LLC and USAA Real Estate Company developed the first phase of CityPlace, a 60-acre mixed use urban center in Springwoods Village. Currently, the joint venture has completed development of 300,000 square feet of office space and 20,000 square feet of retail space in CityPlace. At completion, it is expected that CityPlace will be comprised of 4 million square feet of office space and 500,000 square feet of retail space. American Bureau of Shipping ("ABS") has signed a long-term lease for the entirety of the first building (approximately 300,000 square feet) in CityPlace. ABS has moved its headquarters to Springwoods Village, and completed full occupancy for approximately 1,500 employees in the 4th quarter of 2018.

Retail amenities in CityPlace include a 10-screen Star Cinema Grill, a 24-Hour Fitness (estimated completion in 4th quarter of 2019) and retail tenant lease commitments by Common Bond and Island Grill.

In addition, Martin Fein has constructed The Mark at CityPlace, a 268-unit apartment complex, which includes approximately 8,500 square feet of retail space facing Lake Plaza Drive. The Mark offers one, two and three bedroom units for lease and is currently 80% leased.

CityPlace also includes a 337-room full-service Marriott Hotel, with 25,000 square feet of meeting space and a full-service restaurant.

CHI St. Luke's Health System

St. Luke's has developed approximately 23 acres as the initial phase of their campus which includes an 180,000 square foot medical office building, ambulatory center and surgery center. The medical office building is approximately 90% leased. St. Luke's master plan anticipates continued expansion with additional medical office space and up to 300 hospital beds.

As of tax year 2018, St. Luke's has claimed the ambulatory & surgery centers are tax-exempt under Texas law from ad valorem taxes. The District has no control over the designation of improvements as tax-exempt. Any such tax-exempt designation is determined by the Harris County Appraisal District pursuant to applicable law.

HP, Inc.

In April 2017, SRI, USAA Real Estate Company and Patrinely Group LLC formed a joint venture to construct a corporate campus comprised of 11.8 acres to construction a 378,000 square feet of office space for HPI. HPI occupied the building in the 4th quarter of 2018.

Residential Development

Approximately 39 acres (139 lots) have been developed as single-family residential. Taylor Morrison has developed 51 single-family lots on 23 acres as "Audubon Grove." Sullivan Brothers developed 88 townhome and single-family lots on 16 acres as "Harper Woods." As of May 1, 2019, there were 82 complete and occupied homes, 5 complete and unoccupied homes and 52 vacant developed lots. Taylor Morrison has sold all of the homes in Audubon Grove. Sullivan Brothers is marketing the homes in Harper Woods from $300,000 to $550,000 with home ranging in size from 1,800 square feet to 3,200 square feet.

Other Development

Martin Fein has completed the development of a 342-unit luxury apartment complex called The Belvedere at Springwoods Village, on approximately 6 acres. The apartment complex offers one, two, and three bedroom units for lease. According to Martin Fein, The Belvedere has stabilized occupancy.

Tuscany Hotels, LLC (Woodbine Development Company affiliate) developed a 128-room Marriott Residence Inn on 3.28 acres. An additional 2.92 acres have been developed by Woodbine as a 125-room Marriott Courtyard hotel.

Centerpoint Energy has completed a new electric substation, the Springwoods Station on approximately 9 acres, from which all electric distribution in Springwoods Village will be underground.

Thomas Oil developed 2.49 acres as a Speedy Stop fuel station, convenience store, lube center and car wash.

Harris County Emergency Services District Nos. 7 and 11 have jointly constructed a fire and EMT station in Springwoods Village on 3.57 acres.

District Improvements

The District has financed a significant number of amenity features which enhance the various developments in the District. These amenities include an approximately 9.5 mile trail system, the Lower Plaza and West Detention amenities.

FUTURE DEVELOPMENT

As discussed above, future phases of the SWE campus, St. Luke's, The Market and CityPlace are currently planned, although the District is not aware of any timeline for construction and makes no representation about the likelihood or timing of future phases being completed. In addition, Northside Offices, LLC has purchased approximately 9.5 acres, for which details have not yet been announced.

In addition, SRI plans for Springwoods Village to contain additional single-family, multi-family, senior residential, corporate, commercial and retail developments. Springwoods Village will contain a 250-acre regional park system, which will include trails, green space, water features, ball parks, as well as other amenities. Additionally, the development and access to Springwoods Village is integrated with the Grand Parkway, a 180+ mile circumferential highway traversing seven counties and encircling the greater Houston region, along the southern boundary of the District. Construction of this phase of the Grand Parkway has been completed. No representation can be made about the timing and completion of any future developments, the regional park or the completion of all segments of the Grand Parkway. The District can make no representation as to the likelihood of any of the described future development or any other future development in the District.

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DEBT SERVICE REQUIREMENTS

The following schedule sets forth the debt service requirements of the Outstanding Bonds as well as the principal and interest requirements of the Bonds.

Calendar	Outstanding	Plus: The Utility Bonds		Plus: The Park Bonds		Total
Year	Debt Service	Principal	Interest	Principal	Interest	Debt Service
2019	$ 8,297,390	–	–	–	–	$ 8,297,390
2020	8,312,015	$ 160,000	$ 253,400	$ 45,000	$ 79,625	8,850,040
2021	8,314,215	195,000	212,400	50,000	53,994	8,825,609
2022	8,320,865	200,000	206,550	55,000	51,994	8,834,409
2023	8,334,915	205,000	200,550	55,000	50,344	8,845,809
2024	8,401,965	215,000	194,400	60,000	48,694	8,920,059
2025	8,462,721	220,000	187,950	60,000	46,894	8,977,565
2026	8,525,706	230,000	181,350	60,000	45,694	9,042,750
2027	8,593,494	240,000	174,450	65,000	44,494	9,117,438
2028	8,675,256	245,000	167,250	65,000	43,194	9,195,700
2029	8,747,269	255,000	159,900	70,000	41,894	9,274,063
2030	8,826,894	265,000	152,250	70,000	40,319	9,354,463
2031	8,897,888	275,000	144,300	75,000	38,569	9,430,757
2032	8,969,781	280,000	136,050	75,000	36,600	9,497,431
2033	9,041,481	290,000	127,650	80,000	34,350	9,573,481
2034	9,112,981	300,000	118,950	80,000	31,950	9,643,881
2035	9,189,494	310,000	109,950	85,000	29,550	9,723,994
2036	9,261,138	325,000	100,650	85,000	27,000	9,798,788
2037	9,323,238	335,000	90,900	90,000	24,450	9,863,588
2038	8,722,013	345,000	80,850	95,000	21,750	9,264,613
2039	4,654,556	360,000	70,500	95,000	18,900	5,198,956
2040	4,660,513	370,000	59,700	100,000	16,050	5,206,263
2041	2,176,044	385,000	48,600	105,000	13,050	2,727,694
2042	–	400,000	37,050	105,000	9,900	551,950
2043	–	410,000	25,050	110,000	6,750	551,800
2044	–	425,000	12,750	115,000	3,450	556,200
Total	$ 185,821,832	$ 7,240,000	$ 3,253,400	$ 1,950,000	$ 859,459	$ 199,124,691

Average Annual Requirement - (2019-2044)........ $ 7,658,083
Maximum Annual Requirement - (2037)........ $ 9,863,588

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DISTRICT FINANCIAL DATA

Assessed Value

2018 Assessed Valuation See "TAX DATA" and "TAXING PROCEDURES."	$	1,845,774,984	(a)
2019 Preliminary Valuation See "TAX DATA" and "TAXING PROCEDURES."	$	2,239,568,651	(b)
Estimated Valuation as of May 1, 2019 See "TAX DATA" and "TAXING PROCEDURES."	$	2,263,207,613	(c)
Direct Debt			
Outstanding Bonds	$	129,420,000	
The Utility Bonds		7,240,000	
The Park Bonds		1,950,000	
Total	$	138,610,000	
Estimated Overlapping Debt	$	147,459,080	(d)
Total Direct and Estimated Overlapping Debt	$	286,069,080	
Debt Service Fund Balance (as of May 22, 2019)	$	11,168,790	(e)
Operating Fund Balance (as of May 22, 2019)	$	19,270,582	
Capital Projects Fund Balance (as of May 22, 2019)	$	183,074	
Defined Area Debt Service Fund Balance (as of May 22, 2019)	$	2,429,112	
Defined Area Capital Projects Fund Balance (as of May 22, 2019)	$	454,606	
Ratio of Direct Debt to:			
2018 Assessed Valuation ($1,845,774,984)		7.51	%
2019 Preliminary Valuation ($2,239,568,651)		6.19	%
Estimated Valuation as of May 1, 2019 ($2,263,207,613)		6.12	%
Ratio of Direct and Estimated Overlapping Debt to:			
2018 Assessed Valuation ($1,845,774,984)		15.50	%
2019 Preliminary Valuation ($2,239,568,651)		12.77	%
Estimated Valuation as of May 1, 2019 ($2,263,207,613)		12.64	%

(a) Certified taxable assessed value of taxable property within the District valued as of January 1, 2018, as provided by the Harris County Appraisal District ("HCAD").

(b) Provided by HCAD as the preliminary value as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."

(c) Provided by the HCAD for information purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2019, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2018, through May 1, 2019. No taxes will be levied against this amount. See "DEVELOPMENT WITHIN THE DISTRICT."

(d) Includes $25,985,000 principal amount of bonds issued by the Defined Area. See "THE DEFINED AREA" and "DISTRICT FINANCIAL DATA - Estimated Direct and Overlapping Debt Statement."

(e) Neither Texas Law nor the Bond Resolutions require that the District maintain any particular sum in the Debt Service Fund.

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Authorized but Unissued Bonds

- Authorized Ad Valorem Tax Bonds –

Election Date	Purpose	Amount Authorized	Issued to Date	The Bonds	Remaining Unissued
11/03/09	Water, Wastewater, Drainage & Refunding	$ 637,000,000	$ 124,835,000	$ 7,240,000	$ 504,925,000
11/03/09	Recreational & Refunding	315,600,000	16,250,000	1,950,000	297,400,000
11/03/09	Firefighting & Refunding	15,100,000	-0-	-0-	15,100,000
11/03/09	Parking Facilities & Refunding	128,000,000	-0-	-0-	128,000,000
11/03/09	Economic Development & Refunding	48,000,000	-0-	-0-	48,000,000
11/03/09	Transit Facilities & Refunding	11,000,000	-0-	-0-	11,000,000
	Total	$ 2,331,700,000	$ 168,025,000	$ 9,190,000	$ 1,004,425,000

- Authorized Defined Area Ad Valorem Tax Bonds –

Election Date	Purpose	Amount Authorized	Issued to Date	The Bonds	Remaining Unissued
11/08/11	Road Improvements & Refunding	$ 1,177,000,000	$ 26,940,000	$ -0-	$ 1,150,060,000

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of April 30, 2019	Estimated Overlapping Percent	Estimated Overlapping Amount
Harris County	$ 2,050,758,022	0.410 %	$ 8,399,805
Harris County Flood Control District	83,075,000	0.410	340,608
Port of Houston Authority	593,754,397	0.410	2,434,393
Harris County Department of Education	6,320,000	0.410	25,912
Harris County Hospital District	57,300,000	0.410	234,930
Lone Star College District	609,845,000	0.944	5,756,278
Klein ISD	1,072,345,000	0.025	268,086
Spring ISD	738,520,000	14.084	104,014,068
Defined Area No. 1	25,985,000	100.000	25,985,000
Total Estimated Overlapping Debt			$ 147,459,080
The District		100.000	138,610,000 (a)
Total Direct & Estimated Overlapping Debt			$ 286,069,080 (a)

(a) Includes the Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2018 Certified Assessed Valuation ($1,845,774,984)	7.51%	15.50%
2019 Preliminary Valuation ($2,239,568,651)	6.19%	12.77%
Estimated Valuation as of May 1, 2019 ($2,263,207,613)	6.12%	12.64%

(a) Includes the Bonds.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any previously issued tax-supported bonds of future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolutions to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the

Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.50 per $100 of assessed valuation for operation and maintenance purposes. For the 2018 tax year, the Board of Directors levied a debt service tax rate of $0.50 per $100 of assessed valuation and $0.25 per $100 of assessed valuation for operation and maintenance purposes. In addition, the Board of Directors levied a debt service tax rate in the Defined Area of $0.30 per $100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 of Assessed Valuation.
Sales and Use Tax:	1.00% on all sales made within the boundaries of the District.
Hotel Occupancy Tax:	7.00% on the businesses within the boundaries of the District.

Debt Service Tax

The Board covenants in the Bond Resolutions to levy and assess, for each year that all of 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.

The Board levied a 2018 debt service tax rate of $0.50 per $100 of assessed valuation.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund. The remaining proceeds of the Bonds will be deposited into the Capital Projects Fund, to be used for the purpose of funding or reimbursing the Principal Developer for certain construction, operational, or organizational costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the system will be used as permitted by the Bond Resolutions or ultimately transferred to the Debt Service Fund.

Maintenance and Operations Tax

The Board 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. On November 3, 2009, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed $1.50 per $100 of assessed valuation. The District levied a maintenance and operations tax for 2018 at the rate of $0.25 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Sales and Use Tax

The District is currently levying a sales and use tax of 1.00% on all sales made within the boundaries of District. The revenues collected are not pledged to the payment of the Bonds.

Hotel Occupancy Tax

The District is currently levying a hotel occupancy tax of 7.00% on the businesses within its boundaries. The revenues collected are not pledged to the payment of the Bonds.

Tax Exemption

As discussed in the section entitled "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.

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 the Texas Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2014 through 2018 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ $100 (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ending	% of Collections as of 5/31/2019
2014	$ 678,934,293	$ 1.500	$ 10,184,014	99.97 %	9/30/2015	100.00 %
2015	1,479,792,176	1.500	22,196,883	99.91	9/30/2016	100.00
2016	1,723,743,896	1.500	25,856,158	99.97	9/30/2017	99.99
2017	1,786,686,882	1.485	26,532,300	99.97	9/30/2018	99.99
2018	1,845,774,984	1.050	19,380,638	99.93 (b)	9/30/2019	99.93

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.
(b) As of May 31, 2019.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$0.500	$0.480	$0.510	$0.415	$0.770
Defined Area Debt Service	0.300	0.365	0.170	0.000	0.000
Maintenance	0.250	0.640	0.820	1.085	0.730
	$1.050	$1.485	$1.500	$1.500	$1.500

Analysis of Tax Base

The following illustrates the District's total taxable assessed valuation value for the 2014-2018 tax years by type of property.

Type of Property	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation	2014 Assessed Valuation
Land	$ 403,330,588	$ 418,014,589	$ 394,151391	$ 350,136,184	$ 242,710,398
Improvements	1,465,335,150	1,358,927,757	1,318,973,511	1,167,442,695	526,919,374
Personal Property	182,109,616	224,109,168	188,562,424	122,402,914	9,784,232
Exemptions	(205,000,370)	(214,364,632)	(177,943,430)	(160,189,617)	(100,479,711)
Total	$ 1,845,774,984	$1,786,686,882	$1,723,743,896	$1,479,792,176	$ 678,934,293

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2018:

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll	Percent of Total Assessed Valuation
Palmetto Transoceanic LLC (a)	Corporate Campus	$ 1,195,025,847	64.74 %
Southwestern Energy Company (a)	Corporate Campus	141,575,352	7.67
Springwoods Realty Inc. (b)	Commercial Land	72,936,128	3.95
CP Residential LP (a)	Multi-Family	50,274,406	2.72
Springwoods Residential LP (a)	Multi-Family	49,961,174	2.71
USODP Energy Drive LLC	Commercial	45,828,222	2.48
Springwoods 4A Inc. (a)	Office Building	45,470,806	2.46
SWV FS Hotel Owner (a)	Full-Service Hotel	29,415,123	1.59
Spring Stuebner RRC I Inc. (a)	Commercial Center	28,157,751	1.53
DOC 2255 East Mossy Oak (a)(c)	Medical Office Building	22,124,000	1.20
Total		$ 1,680,768,809	91.06 %

(a) See "THE OTHER DEVELOPERS/LANDOWNERS."
(b) See "THE PRINCIPAL DEVELOPER AND LANDOWNER."
(c) Does not include approximately 0.23 acres which have been declared exempt from property taxes.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2018 Assessed Valuation ($1,845,774,984), the 2019 Preliminary Valuation ($2,239,568,651) or the Estimated Valuation as of May 1, 2019 ($2,263,207,613). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2019-2044)	$	7,658,083
Tax Rate of $0.44 on the 2018 Assessed Valuation	$	7,715,339
Tax Rate of $0.36 on the 2019 Preliminary Valuation	$	7,659,325
Tax Rate of $0.36 on the Estimated Valuation as of May 1, 2019	$	7,740,170
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2037)	$	9,863,588
Tax Rate of $0.57 on the 2018 Assessed Valuation	$	9,994,872
Tax Rate of $0.47 on the 2019 Preliminary Valuation	$	9,999,674
Tax Rate of $0.46 on the Estimated Valuation as of May 1, 2019	$	9,890,217

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA - Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2018 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	Spring ISD 2018 Tax Rate Per $100 of Assessed Value	Klein ISD 2018 Tax Rate Per $100 of Assessed Value
The District	$ 0.75000	$ 0.75000
Defined Area No. 1	0.30000	0.30000
Harris County	0.41858	0.41858
Harris County Flood Control District	0.02877	0.02877
Harris County Hospital District	0.17108	0.17108
Port of Houston Authority	0.01155	0.01155
Lone Star College District	0.10780	0.10780
Klein ISD	--	1.43000
Spring ISD	1.51000	--
Harris County Emergency Services District No. 7 (a)	0.09606	0.09606
Harris County Dept. of Education	0.00519	0.00519
Harris County Emergency Services District No. 11 (a)	(a)	(a)
Estimated Total Tax Rate	$ 3.31903	$ 3.39903

(a) A portion of the District lies within Harris County Emergency Service District No. 11 instead of Harris County Emergency Service District No. 7, which levies a tax rate of $0.03606 on the taxable property within its boundaries.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

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 of appraising property for all taxing units within the County including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

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

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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. The District has not adopted a general homestead exemption.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 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 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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

The County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the land within the District), the County, and 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. Currently, no part of the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by 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 five years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Code.

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

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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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 continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

THE SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, and the County. According to the District's Engineer, the design of all such completed facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions. See "INVESTMENT CONSIDERATIONS" herein.

Description of the System

- Water Supply and Distribution -

The District owns and operates a water plant ("Water Plant No. 1") which contains (i) a 1,400 gallons per minute ("gpm") water well ("Water Well No. 1"), (ii) a 1,500 gpm water well ("Water Well No. 2"), (iii) two 30,000 gallon pressure tanks, (iv) a 1,154,000 gallon ground storage tank, and (v) five (5) 1,750 gpm booster pumps for a total booster capacity of 8,750 gpm. The total capacity of the District's existing water supply system is 2,500 equivalent single-family connections ("ESFCs").

A portion of the proceeds of the Bonds will be used to finance the construction of a 1,150,000 gallon ground storage tank. Upon completion of the such ground storage tank, the District's water capacity will be 4,487 ESFCs.

- Non-Potable Water -

The District owns and operates a non-potable water well ("Non-Potable Well") which contains (i) a 200 gallon per minute ("gpm") non-potable water well and (ii) a 5,000 gallon pressure tank.

- Wastewater -

The District has owns and operates a permanent WWTP with a capacity of 1,500,000 gpd. The permanent WWTP currently has the capacity to serve 5,000 ESFCs.

- Drainage -

The northern portion of the District drains overland to Spring Creek. The southern portion of the District drains to tributaries that eventually outfall to Cypress Creek. The District has constructed internal detention and a system of drainage channels in order to serve development within the District. Approximately 347 acres lay within the 100-year floodplain, however, no development is planned for such land.

"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 and other improvements 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 and other improvements 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 Engineer, approximately 347 acres within the District is located within the 100-year flood plain, however, no development is planned for such land. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."

- Parks -

The District has adopted a master park plan ("Park Plan") which outlines the development of an approximately 250-acre regional park system and several small neighborhood parks. The Park Plan includes trail systems, landscaping, water amenities, sport parks, green space, and other amenities.

The District has financed a significant number of amenity features which enhance the various developments in the District. These amenities include an approximately 9.5 mile trail system, the Lower Plaza and West Detention amenities.

- Roads -

Construction of the major thoroughfare road improvements within the boundaries of the Defined Area have been financed with funds advanced by the Principal Developer and by the first issue of Defined Area bonds and funds received from the County pursuant to the Agreement. The Other Developers are responsible for the development of a road system within the boundaries of their development. The roads within the District vary in width in accordance with standards adopted by the County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

Subsidence and Conversion to Surface Water Supply

The District is located within Area 3 of the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), the entity which regulates groundwater withdrawal in Harris and Galveston Counties. The District's ability to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On January 9, 2013, the Subsidence District adopted a Regulatory Plan (the "Regulatory Plan") to reduce groundwater withdrawal through conversion to surface water consumption by the areas within the Subsidence District's boundaries. Under the Regulatory Plan, an Area 3 permittee (discussed below) is required to: maintain groundwater withdrawals at no more than 70% of the total annual water demand under permits issued through 2024; reduce and maintain its groundwater withdrawals to no more than 40% of total annual water demand beginning with permits issued in 2025; and reduce and maintain its groundwater withdrawals to no more than 20% of total annual water demand beginning with permits issued in 2035.

The District is also located within the boundaries of the North Harris County Regional Water Authority (the "Water Authority"). The Water Authority was created to accomplish the conversion to surface water by entities within the Subsidence District's Area 3 in accordance with the Regulatory Plan. To implement the required conversion to surface water in accordance with the Regulatory Plan, the Water Authority has adopted a ground water reduction plan providing for the design, construction and operation of a network of surface water transmission lines, storage tanks, and pumping stations to transport and distribute surface water to the areas within the Water Authority's boundaries (the "Surface Water Facilities"). The Water Authority has also contracted with the City to secure a long-term supply of surface water. To obtain funding to accomplish its purposes, the Water Authority is currently assessing a groundwater pumpage fee in the amount of $3.85 per 1,000 gallons of water, which applies to certain water well permittees in its boundaries, including the District. To date, the Water Authority has issued ten series of bonds, of which $1,535,970,000 principal amount remains outstanding, to finance the Surface Water Facilities and may issue more bonds in the future. The Water Authority bonds are secured by revenues of the Water Authority, including the groundwater pumpage fee. Currently the Water Authority charges a pumpage fee of $3.85 per 1,000 gallons of water pumped and a surface water fee of $4.30 per 1,000 gallons delivered.

For future phases of the Surface Water Facilities, current rules of the Water Authority allow the District to elect to pay for its share of the costs of the Surface Water Facilities through upfront capital contributions, which may be financed by the District through the issuance of bonds.

The District cannot predict the amount or level of fees and charges, which may be due the Water Authority in the future, but anticipates the need to pass such fees through to its customers resulting in higher water rates. 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 Water 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.

Low Impact Design Standards

The County recently adopted design standards for developments within the County to mitigate the environmental impact of development, known as "Low Impact Design ("LID") Standard". The District has adopted the LID Standards in the construction of the District facilities. LID Standard facilities include bioretention, and focal point inlets, among other facilities.

Maintenance Declarations

The District has filed maintenance declarations in the County real property records, whereby the District agrees to maintain certain improvements that have been designed and constructed above the County standards. This includes street landscaping, street lights, street pavers and low impact design drainage improvements.

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Historical Operations of the System

The following is a summary of the District's Operating Fund for the last 5 years. The figures for the fiscal years ending December 31, 2014 through December 31, 2018, were obtained from the District's annual financial reports, reference to which is hereby made. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year End December 31,				
	2018	2017	2016	2015	2014
REVENUES					
Charges for Utility Services	$ 2,610,275	$ 2,310,592	$ 2,132,310	$ 2,022,710	$ 1,493,348
Property Taxes	11,084,582	14,850,002	15,979,873	4,781,346	1,458,180
Penalties and Interest	18,063	28,874	41,775	148,661	73,377
Harris County Property Tax Rebate	4,229,335	3,985,456	3,465,510	1,535,251	124,282
Sales and Use Taxes	3,347,253	955,845	718,270	546,713	754,576
Tap Connection and Inspection Fees	604,138	752,848	335,306	591,339	190,757
Miscellaneous	93,713	24,752	210,948	34,096	569,570
Investment Earnings	324,123	196,169	86,276	18,062	3,768
TOTAL REVENUES	$ 22,311,482	$ 23,104,538	$ 22,970,268	$ 9,678,178	$ 4,667,858
EXPENSES					
Current					
Professional Fees	$ 1,818,370	$ 1,755,857	$ 1,755,522	$ 1,327,358	$ 1,024,185
Contracted Services	1,705,420	1,643,677	834,728	548,401	625,889
Repairs and Maintenance	3,925,816	4,304,741	2,144,035	1,705,075	612,381
Regional Water Authority Fees	760,395	557,352	366,680	354,658	216,254
Utilities	212,645	197,168	173,919	157,117	106,960
Tree Farm Ground Lease	60,000	60,000	60,000	60,000	60,000
Administrative	127,205	111,546	91,630	88,245	51,854
Miscellaneous	75,927	100,628	20,756	58,568	49,289
Capital Outlay	12,018,205	12,082,917	10,920,997	528,528	276,100
Developer Interest	1,324,597	1,716,153	2,004,339	1,535,251	124,282
Debt Issuance Expenses	--	--	9,500	--	--
TOTAL EXPENSES	$ 22,028,580	$ 22,530,039	$ 18,382,106	$ 6,363,201	$ 3,147,194
Revenues Over (Under) Expenses	$ 282,902	$ 574,499	$ 4,588,162	$ 3,314,977	$ 1,520,664

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, the County, the City, or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of 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. The collection by the District of delinquent taxes owed to it and the enforcement by the Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing and commercial development industry in the Houston metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 24 miles north from the central business district of the City of Houston and approximately 2 miles south of The Woodlands, a 28,000-acre master-planned community. As a result, particularly during times of increased competition, the Principal Developer, the Other Developers and home builders within the District may be at a competitive disadvantage to the developers and home builders in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

Principal Taxpayers' Obligations to the District: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2018 owned a majority (approximately 91.06%) of the property, including personal property, located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a maintenance tax of $0.25 per $100 of assessed valuation and a debt service tax rate of $0.50 per $100 of assessed valuation for 2018.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The Principal Developer's and the Other Developer's ability to sell land and the home builders' ability to sell or lease homes is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. Many of the single-family developments with which the District competes are in a more developed state and have lower tax rates. The District can give no assurance that building and marketing programs in the District by the Principal Developer's and the Other Developer's and home builders will be implemented or, if implemented, will be successful.

Developer Under No Obligation to the District: The Principal Developer has informed the District of its current plans to continue to develop and sell land in the District for residential and commercial purposes. However, neither the Principal Developer nor Other Developers are obligated to implement such plan on any particular schedule at all. Thus, the furnishing of information related to the proposed development by the Principal Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Principal Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Principal Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Principal Developer and the Other Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Principal Developer and the Other Developers to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Principal Developer and the Other Developers (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Principal Developer and the Other Developers will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE PRINCIPAL DEVELOPER AND LANDOWNER" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2018 Assessed Valuation of the District is $1,845,774,984, the 2019 Preliminary Valuation is $2,239,568,651 and the Estimated Assessed Valuation as of May 1, 2019, is $2,263,207,613 (see "TAX DATA"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement for the Bonds and the Outstanding Bonds will be $9,863,588 (2037) and the Average Annual Debt Service Requirement for the Bonds and the Outstanding Bonds will be $7,658,083 (2019-2044). Assuming no increase to nor decrease from the 2018 Assessed Taxable Valuation, tax rates of $0.57 and $0.44 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Assuming no increase to nor decrease from the 2019 Preliminary Taxable Valuation, tax rates of $0.47 and $0.36 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of May 1, 2019 tax rates of $0.46 and $0.36 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payments of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located

Dependence on the Oil and Gas Industry: As shown in "TAX DATA – Principal Taxpayers," property owned by ExxonMobil accounts for more than 60% of the District's tax base, and SWE accounts for more than 7% of the District's tax base. Both of these entities are primarily involved in the oil and gas industry. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact these businesses. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process. See "THE BONDS – Registered Owner's Remedies" and "TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies" in the Official Statement.

Fluctuations in Principal Taxpayer Values: Development in the District is comprised predominantly of commercial, office and multi-family improvements. Such users often protest the taxable values determined by the Appraisal District, which can result in reductions in the taxable value of the District. If any of the District's principal taxpayers are successful in protesting their values, it could negatively impact the District's financial position. The District does not make any representations regarding the likelihood of any future protests nor the likely outcome of any such protest.

Potential Impact of Natural Disaster

The District is located along the Texas Gulf Coast and, as it has in the past, the areas in and around the District could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from weather-related events.

Hurricane Harvey

On August 26, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast and severely impacted numerous localities in the region. The District and its facilities did not sustain any significant damage due to Hurricane Harvey. The Gulf Coast regions where the District is located is subject to occasional destructive weather events, and there is no assurance that the District will not suffer damages from such destructive weather events in the future. See "INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster."

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.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the

District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolutions do 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

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. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

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.

Marketability

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. 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.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE POLICY."

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond 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 Bond Insurer, particularly over the life of the investment.

Continuing Compliance with Certain Covenants

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

Future Debt

After the issuance of the Bonds, the District will have $504,925,000 principal amount of unlimited tax bonds for improvements to the System and refunding purposes, $297,400,000 principal amount of unlimited tax bonds for park and recreational facilities and refunding purposes, $15,100,000 principal amount of unlimited tax bonds for firefighting facilities and refunding purposes, $128,000,000 principal amount of unlimited tax bonds for public parking facilities and refunding purposes, $48,000,000 principal amount of unlimited tax bonds for economic development projects and refunding purposes, and $11,000,000 principal amount of unlimited tax bonds for transit facilities and refunding purposes authorized but unissued (see "THE BONDS – Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations, as described in the Bond Resolutions. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

On August 24, 2011, the Board designated approximately 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil is constructing a corporate campus. The Defined Area was created to finance major thoroughfare roads in the Defined Area. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements to serve the Defined Area, of which $1,150,060,000 remains authorized and unissued.

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads in the Defined Area and certain park improvements to serve the District. The Agreement obligates the County to rebate up to $82,000,000 plus interest to the District to finance these improvements. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to the Bonds or to any outstanding bond issue and there is no expectation that the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2018 is $38,592,097 in principal, plus accrued interest calculated at a rate of 6% per annum. To date the County has rebated a total of $13,339,834 to the District. See "THE DISTRICT – Economic Development Agreement with Harris County."

Following the issuance of the Bonds, the District will not owe the Principal Developer or the Other Developers for expenditures advanced for water, sewer, and drainage facilities and park and recreational facilities within the District. Further, the District has fully reimbursed the Principal Developer for the reimbursable expenditures advanced for road improvements, but will still owe the Other Developers approximately $1,200,000 for the reimbursable expenditures advanced for road improvements, which will be reimbursed from bonds to be secured by taxes levied on property within the Defined Area. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has or will the Attorney General pass upon the adequacy or accuracy of the information contained in this Official Statement.

Consolidation

Under Texas law, the District may be consolidated with other municipal management districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Subsidence and Conversion to Surface Water Supply

The District is located within Harris-Galveston Subsidence District. See "INVESTMENT CONSIDERATIONS – Subsidence and Conversion to Surface Water Supply."

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal 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 the caption "THE DISTRICT – General," "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and 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 or the Developers or the Principal Landowners 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.

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 subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds: affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance , execution or delivery of the Bonds; or affecting the validity of the Bonds.

The 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.

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 on the Bonds is not subject to the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions 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. The District will further rely on the report of The Arbitrage Group, Inc. regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Bond Resolutions 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 IRS. Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers 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 thereof. 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 may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that (a) the 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.

<u>Not</u> Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. The District will provide the updated information via EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 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.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (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 a 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 Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions:

> "THE DISTRICT" and "THE SYSTEM" – Halff Associates, Inc. ("Engineer"); "THE PRINCIPAL DEVELOPER", "DEVELOPMENT WITHIN THE DISTRICT", and "FUTURE DEVELOPMENT" – The Principal Developer; "TAX DATA – Estimated Overlapping Taxes" – Municipal Advisory Council of Texas; "TAX DATA" – Assessments of the Southwest, Inc.; and "THE BONDS", "CONTINUING DISCLOSURE", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – Allen Boone Humphries Robinson LLP.

Experts

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

> *The Engineer*: The information contained in the 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 Halff Associates, Inc., and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.
>
> *Tax Assessor/Collector and Appraisal District*: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by the Assessments of the Southwest, Inc. and Harris County Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

The *Principal Developer*: The information contained in the Official Statement relating to the developers and development in the District and, in particular such information contained in the sections captioned "THE PRINCIPAL DEVELOPER", "DEVELOPMENT WITHIN THE DISTRICT", and "FUTURE DEVELOPMENT" has been provided by the Principal Developer in reliance upon their authority as experts in with respect to development within the District.

Updating of 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 elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notify the District in writing 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification as to Official Statement

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

This Official Statement was approved by the Board of Directors of Harris County Improvement District No. 18, as of the date shown on the first page hereof.

/s/ Robert T. Deden
President, Board of Directors
Harris County Improvement District No. 18

ATTEST:

/s/ Richard L. Rose
Assistant Secretary, Board of Directors
Harris County Improvement District No. 18

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APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2018

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McGRATH & CO., PLLC
Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Harris County Improvement District No. 18
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Improvement District No. 18, as of and for the year ended December 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

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Crystal V. Horn, CPA
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Board of Directors
Harris County Improvement District No. 18
Harris County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Improvement District No. 18, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGrath & Co, PLLC

Houston, Texas
April 24, 2019

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Improvement District No. 18 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2018, was negative $39,498,426. The District has financed certain road facilities, which have been conveyed to and assumed by Harris County for maintenance and other incidents of ownership, which has caused long term debt to be in excess of capital assets. A comparative summary of the District's overall financial position, as of December 31, 2018 and 2017, is as follows:

	2018	2017
Current assets	$ 41,511,363	$ 47,993,720
Capital assets	129,864,996	123,791,201
Total assets	171,376,359	171,784,921
Current liabilities	8,661,274	9,011,942
Long-term liabilities	186,609,466	193,046,530
Total liabilities	195,270,740	202,058,472
Total deferred inflows of resources	15,604,045	22,123,847
Net position		
Net investment in capital assets	(2,224,335)	(5,780,295)
Restricted	5,174,809	4,109,006
Unrestricted	(42,448,900)	(50,726,109)
Total net assets	$ (39,498,426)	$ (52,397,398)

The total net position of the District increased during the current fiscal year by $12,898,972. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues		
Program revenues	$ 3,232,476	$ 3,092,314
General revenues	30,149,668	29,924,388
Total revenues	33,382,144	33,016,702
Expenses		
Water and sewer operations	5,247,807	5,703,673
Administrative	3,788,095	3,571,106
Developer interest	1,324,597	2,400,242
Debt interest and fees	5,519,635	5,544,708
Debt issuance costs		917,917
Transfers to other governments	2,077,528	7,360,048
Depreciation	2,696,299	2,344,044
Total expenses	20,653,961	27,841,738
Change in net position before other item	12,728,183	5,174,964
Other item		
Loss on sale of capital assets		(228,930)
Insurance recovery	170,789	
Change in net position	12,898,972	4,946,034
Net position, beginning of year	(52,397,398)	(57,343,432)
Net position, end of year	$ (39,498,426)	$ (52,397,398)

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2018, were $23,583,411, which consists of $14,842,646 in the General Fund, $5,852,599 in the Debt Service Fund, $1,785,677 in the Capital Projects Fund, and $1,102,489 in the Hotel Occupancy Tax Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 21,435,409	$ 28,083,649
Total liabilities	$ 1,999,293	$ 2,031,170
Total deferred inflows	4,593,470	11,663,524
Total fund balance	14,842,646	14,388,955
Total liabilities, deferred inflows and fund balance	$ 21,435,409	$ 28,083,649

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

	2018	2017
Total revenues	$ 22,311,482	$ 23,104,538
Total expenditures	(22,028,580)	(22,530,039)
Revenues over expenditures	282,902	574,499
Other changes in fund balance	170,789	9,500
Net change in fund balance	$ 453,691	$ 583,999

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Revenues from utility services are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- The Harris County property tax rebate increased from prior year as a result of increased development in the District.
- Tap connection fees fluctuate with building activity within the District.
- Sales and use tax revenues are dependent on consumer spending and sales activity on all taxable goods and services located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 17,053,541	$ 15,913,039
Total liabilities	$ 180,374	$ 89,670
Total deferred inflows	11,020,568	10,569,126
Total fund balance	5,852,599	5,254,243
Total liabilities, deferred inflows and fund balance	$ 17,053,541	$ 15,913,039

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

	2018	2017
Total revenues	$ 10,602,015	$ 10,076,110
Total expenditures	(10,003,659)	(9,400,662)
Revenues over expenditures	598,356	675,448
Other changes in fund balance		542,769
Net change in fund balance	$ 598,356	$ 1,218,217

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the previous fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 1,917,789	$ 3,359,949
Total liabilities	$ 132,112	$ 656,185
Total fund balance	1,785,677	2,703,764
Total liabilities and fund balance	$ 1,917,789	$ 3,359,949

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

	2018	2017
Total revenues	$ 59,208	$ 57,469
Total expenditures	(977,295)	(16,503,905)
Revenues under expenditures	(918,087)	(16,446,436)
Other changes in fund balance		14,522,731
Net change in fund balance	$ (918,087)	$ (1,923,705)

The District's capital asset activity in the current year was for improvements to existing facilities. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Defined Area No. 1 Unlimited Tax Road Bonds, Series 2017.

Hotel Occupancy Tax Fund

The Hotel Occupancy Tax Fund is used to account for the receipt and expenditure of hotel occupancy taxes levied by the District which are restricted to the purposes of promoting tourism and supporting the hotel/convention industry, pursuant to Texas Tax Code, Chapter 357. A comparative summary of the Hotel Occupancy Tax Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 1,104,624	$ 637,083
Total liabilities	$ 2,135	$ 28,166
Total fund balance	1,102,489	608,917
Total liabilities and fund balance	$ 1,104,624	$ 637,083

A comparative summary of activities for the Hotel Occupancy Tax Fund's current and prior fiscal year is as follows

	2018	2017
Total revenues	$ 508,249	$ 438,340
Total expenditures	(14,677)	(39,010)
Revenues over expenditures	$ 493,572	$ 399,330

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $2,908,159 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Capital assets not being depreciated		
Land and improvements	$ 33,043,956	$ 33,043,956
Construction in progress	3,990,798	6,685,723
	37,034,754	39,729,679
Capital assets being depreciated		
Water, sewer and drainage facilities	82,201,565	77,159,733
Roads	749,238	749,238
Other facilities and equipment	2,101,776	775,131
Recreational facilities	3,258,257	2,823,200
Landscaping improvements	15,210,058	10,548,573
	103,520,894	92,055,875
Less accumulated depreciation		
Water, sewer and drainage facilities	(7,459,789)	(5,655,656)
Roads	(251,927)	(203,552)
Other facilities and equipment	(175,247)	(199,802)
Recreational facilities	(183,943)	(76,101)
Landscaping improvements	(2,619,746)	(1,859,242)
	(10,690,652)	(7,994,353)
Capital assets being depreciated, net	92,830,242	84,061,522
Total capital assets, net	$ 129,864,996	$ 123,791,201

Significant capital asset additions during the current year include the following:

- City Place Roadways, Phase 1 utilities
- Nature Preserve Playground
- City Place landscape improvements, Phase 2
- City Place Park pedestrian bridges
- City Place Pond 5 rehabilitation
- Spring Stuebner Road and Holzwarth Road landscaping improvements
- Springwoods Village – median lighting extensions

The District's construction in progress is for the construction of various road projects, landscaping improvements, and recreational facilities.

Harris County assumes responsibility for all public roads constructed within the county; however, the District retains, by a maintenance declaration agreement, responsibility for enhancements on roadways (streetlights, pavers, landscaping, and bioswales). Consequently, completed road improvements are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended December 31, 2018, capital assets in the amount of $2,077,528 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of December 31, 2018, the District owes $37,731,364 to developers for completed projects. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost is trued up when the developer is reimbursed.

At December 31, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2013	$ 8,180,000	$ 8,445,000
2014	50,440,000	51,850,000
2015	20,225,000	20,775,000
2015 Parks	14,930,000	15,335,000
Defined Area No. 1 Series 2016 Road	11,355,000	11,655,000
2016	35,645,000	36,710,000
Defined Area No. 1 Series 2017 Road	14,630,000	15,000,000
	$ 155,405,000	$ 159,770,000

At December 31, 2018, the District had the following bonds authorized, but unissued:

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	$ 637,000,000	$ 124,835,000	$ 512,165,000
Transportation, mobility and transit facilities (Defined Area No. 1 only)	1,177,000,000	26,940,000	1,150,060,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	16,250,000	299,350,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	$ 2,331,700,000	$ 168,025,000	$ 2,163,675,000

Next Year's Budget

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

	2018 Actual	2019 Budget
Total revenues	$ 22,311,482	$ 9,792,500
Total expenditures	(22,028,580)	(14,800,400)
Revenues over/(under) expenditures	282,902	(5,007,900)
Other changes in fund balance	170,789	
Net change in fund balance	453,691	(5,007,900)
Beginning fund balance	14,388,955	14,842,646
Ending fund balance	$ 14,842,646	$ 9,834,746

Property Taxes

The District's property tax base increased approximately $50,840,000 for the 2018 tax year from $1,785,382,994 to $1,836,222,569. This increase was primarily due to new construction in the District and increased property values. For the 2018 tax year, the District has levied a maintenance tax rate of $0.25 per $100 of assessed value, a debt service tax rate of $0.50 per $100 of assessed value and a Defined Area No. 1 only road maintenance tax rate of $0.30. The total combined tax rate for property not located in Defined Area No. 1 is $0.75 per $100, while the total combined tax rate of all other property in the District (i.e., property in Defined Area No. 1) is $1.05 per $100 of assessed value. Tax rates for the 2017 tax year were $0.64 per $100 for maintenance and operations, $0.48 per $100 for debt service, and $0.365 for Defined Area No. 1 only road maintenance tax.

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Basic Financial Statements

Harris County Improvement District No. 18
Statement of Net Position - Governmental Activities
December 31, 2018

Assets		
Cash	$	1,456,356
Investments		22,960,882
Property taxes receivable		15,290,265
Customer service receivables		268,162
Sales and use taxes receivable		1,139,279
Hotel occupancy taxes receivable		118,336
Accrued interest receivable		145,225
Other receivables		93,126
Prepaid items		39,732
Capital assets not being depreciated		37,034,754
Capital assets, net		92,830,242
Total Assets		171,376,359
Liabilities		
Accounts payable		1,319,143
Other payables		180,374
Retainage payable		158,061
Accrued interest payable		1,787,360
Customer deposits		348,132
Unearned revenue		308,204
Due to developers		37,731,364
Long-term debt		
Due within one year		4,560,000
Due after one year		148,878,102
Total Liabilities		195,270,740
Deferred Inflows of Resources		
Deferred property taxes		15,604,045
Net Position		
Net investment in capital assets		(2,224,335)
Restricted for debt service		4,072,320
Restricted for other services		1,102,489
Unrestricted		(42,448,900)
Total Net Position	$	(39,498,426)

See notes to basic financial statements.

Harris County Improvement District No. 18
Statement of Activities - Governmental Activities
For the Year Ended December 31, 2018

Expenses		
Water and sewer operations		
Regional Water Authority fees	$	760,395
Tap connection and inspection		222,193
Repairs and maintenance		4,052,574
Utilities		212,645
Administrative		
Professional fees		1,879,880
Contracted services		1,642,697
Tree farm ground lease		60,000
Administrative		129,591
Miscellaneous		75,927
Developer interest		1,324,597
Interest and fees		5,519,635
Intergovernmental		
Transfers to other governments		2,077,528
Depreciation		2,696,299
Total Expenses		20,653,961
Program Revenues		
Charges for utility services		2,610,275
Tap connection and inspection		604,138
Penalties and interest		18,063
Total program revenues		3,232,476
Net Program Expense		(17,421,485)
General Revenues		
Property taxes		21,361,866
Sales and use taxes		3,347,253
Hotel occupancy taxes		493,610
Penalties and interest		49,717
Harris County property tax rebate		4,229,335
Miscellaneous		100,983
Investment earnings		566,904
Total general revenues		30,149,668
Revenues Over Expenses		12,728,183
Other Item		
Insurance recovery		170,789
Change in net position		12,898,972
Net Position		
Beginning of the year		(52,397,398)
End of the year	$	(39,498,426)

See notes to basic financial statements.

Harris County Improvement District No. 18
Balance Sheet - Governmental Funds
December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Hotel Occupancy Tax Fund	Total
Assets					
Cash	$ 597,109	$ 848,638	$ 100	$ 10,509	$ 1,456,356
Investments	14,584,170	5,483,244	1,917,689	975,779	22,960,882
Property taxes receivable	4,516,381	10,773,884			15,290,265
Customer service receivables	268,162				268,162
Sales and use taxes receivable	1,139,279				1,139,279
Hotel occupancy taxes receivable				118,336	118,336
Internal balances	73,383	(73,383)			
Accrued interest receivable	124,067	21,158			145,225
Other receivables	93,126				93,126
Prepaid items	39,732				39,732
Total Assets	$ 21,435,409	$ 17,053,541	$ 1,917,789	$ 1,104,624	$ 41,511,363
Liabilities					
Accounts payable	$ 1,184,896	$ -	$ 132,112	$ 2,135	$ 1,319,143
Other payables		180,374			180,374
Retainage payable	158,061				158,061
Unearned revenue	308,204				308,204
Customer deposits	348,132				348,132
Total Liabilities	1,999,293	180,374	132,112	2,135	2,313,914
Deferred Inflows of Resources					
Deferred property taxes	4,593,470	11,020,568			15,614,038
Fund Balances					
Nonspendable	39,732				39,732
Restricted		5,852,599	1,785,677	1,102,489	8,740,765
Unassigned	14,802,914				14,802,914
Total Fund Balances	14,842,646	5,852,599	1,785,677	1,102,489	23,583,411
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 21,435,409	$ 17,053,541	$ 1,917,789	$ 1,104,624	$ 41,511,363

See notes to basic financial statements.

Harris County Improvement District No. 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total fund balance, governmental funds		$ 23,583,411
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 140,555,648	
Less accumulated depreciation	(10,690,652)	
Change due to capital assets		129,864,996
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(153,438,102)	
Accrued interest payable	(1,787,360)	
Change due to debt		(155,225,462)
Amounts due to the District's developers for construction costs, operating advances and other costs are recorded as a liability in the *Statement of Net Position.*		(37,731,364)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable and collections of the 2018 levy. In the government wide statements, however, deferred inflows consist of the entire 2018 property tax levy.		
Fund level deferred property taxes	15,614,038	
Government wide level deferred property taxes	(15,604,045)	
Change due to deferred inflows		9,993
Total net position - governmental activities		$ (39,498,426)

See notes to basic financial statements.

Harris County Improvement District No. 18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Hotel Occupancy Tax Fund	Total
Revenues					
Charges for utility services	$ 2,610,275	$ -	$ -	$ -	$ 2,610,275
Property taxes	11,084,582	10,373,520			21,458,102
Penalties and interest	18,063	52,291			70,354
Harris County property tax rebate	4,229,335				4,229,335
Sales and use taxes	3,347,253				3,347,253
Tap connection and inspection fees	604,138				604,138
Hotel occupancy taxes				493,610	493,610
Miscellaneous	93,713	7,270			100,983
Investment earnings	324,123	168,934	59,208	14,639	566,904
Total Revenues	22,311,482	10,602,015	59,208	508,249	33,480,954
Expenditures					
Current					
Professional fees	1,818,370		52,932	8,578	1,879,880
Contracted services	1,705,420	153,380		6,090	1,864,890
Repairs and maintenance	3,925,816		126,758		4,052,574
Regional Water Authority fees	760,395				760,395
Utilities	212,645				212,645
Tree farm ground lease	60,000				60,000
Administrative	127,205	2,355	22	9	129,591
Miscellaneous	75,927				75,927
Capital outlay	12,018,205		797,583		12,815,788
Debt service					
Principal		4,365,000			4,365,000
Developer interest	1,324,597				1,324,597
Interest and fees		5,482,924			5,482,924
Total Expenditures	22,028,580	10,003,659	977,295	14,677	33,024,211
Revenues over/(under) expenditures	282,902	598,356	(918,087)	493,572	456,743
Other Item					
Insurance recovery	170,789				170,789
Net change in fund balances	453,691	598,356	(918,087)	493,572	627,532
Fund Balances					
Beginning of the year	14,388,955	5,254,243	2,703,764	608,917	22,955,879
End of the year	$ 14,842,646	$ 5,852,599	$ 1,785,677	$ 1,102,489	$ 23,583,411

See notes to basic financial statements.

Harris County Improvement District No. 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds		$ 627,532
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		(98,810)
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 12,815,788	
Depreciation expense	(2,696,299)	
		10,119,489
The District conveys certain roads to Harris County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(2,077,528)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Principal payments	4,365,000	
Interest expense accrual	(36,711)	
		4,328,289
Change in net position of governmental activities		$ 12,898,972

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Improvement District No. 18 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Senate Bill No. 2510, Acts 2009, 81st Legislature, Regular Session, later codified as Chapter 3879, Texas Special District Local Laws Code, dated June 19, 2009, and operates in accordance with Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, as well as Chapter 375, Texas Local Government Code and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 23, 2009, and the first bonds were sold on March 28, 2013.

The District was established to facilitate the economic development of land within its boundaries, to promote economic development, safety and public welfare through the construction, maintenance and operation of (1) water, sewer and drainage facilities, (2) roads and road improvements, (3) recreational facilities, (4) parking facilities, (5) firefighting facilities, and (6) public transit systems. As further discussed in Note 10, the District transfers public road facilities to Harris County upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has contracted with off duty Harris County deputies and pays applicable payroll taxes. The District has no other employees, related payroll or pension costs. On August 24, 2011, the District created a special defined area within the District (the "Defined Area") pursuant to Texas Law for the purpose of financing public roads and related improvements within the Defined Area.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an appointed five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, sales and use taxes, Harris County property tax rebates and charges for utility services. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's capital asset facilities.
- The Hotel Occupancy Tax Fund is used to account for revenues received from hotel occupancy taxes that are restricted to expenditures used to enhance and promote tourism and convention and hotel industry, pursuant to Texas Tax Code, Chapter 357.

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2018, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Depreciable capital assets are depreciated using the straight-line method as follows:

Assets	Useful Life
Water, sewer and drainage facilities	45 years
Roads	15-30 years
Other facilities and equipment	20-30 years
Recreational facilities	10-30 years
Equipment	5 years
Landscaping improvements	20 years

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

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2018 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2018 property tax levy, which was levied to finance the 2019 fiscal year.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund, property taxes levied for debt service in the Debt Service Fund, and unspent hotel occupancy tax collections in the Hotel Occupancy Tax Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

Note 2 – Deposits and Investments (continued)

Investments (continued)

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

As of December 31, 2018, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 13,205,000			
	Debt Service	2,450,000			
		15,655,000	68%	N/A	N/A
Texas CLASS	General	1,379,170			
	Debt Service	3,033,244			
	Capital Projects	1,917,689			
	Hotel Tax	975,779			
		7,305,882	32%	AAAm	56 days
Total		$ 22,960,882	100%		

The District's investments in certificates of deposit are reported at cost.

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and Wells Fargo Bank as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Note 2 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2018, consist of the following:

Recievable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	$ 73,383	Maintenance tax collections not remitted as of year end.

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

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2018, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements/ Adjustments	Ending Balances
Capital assets not being depreciated				
Land and improvements	$ 33,043,956	$ -	$ -	$ 33,043,956
Construction in progress	6,685,723	3,593,492	(6,288,417)	3,990,798
	39,729,679	3,593,492	(6,288,417)	37,034,754
Capital assets being depreciated				
Water, sewer and drainage facilities	77,159,733	5,041,832		82,201,565
Roads	749,238			749,238
Other facilities and equipment	775,131	1,326,645		2,101,776
Recreational facilities	2,823,200	435,057		3,258,257
Landscaping improvements	10,548,573	4,661,485		15,210,058
Subtotal	92,055,875	11,465,019		103,520,894
Less accumulated depreciation				
Water, sewer and drainage facilities	(5,655,656)	(1,804,133)		(7,459,789)
Roads	(203,552)	(48,375)		(251,927)
Other facilities and equipment	(199,802)	(89,818)	114,373	(175,247)
Recreational facilities	(76,101)	(107,842)		(183,943)
Landscaping improvements	(1,859,242)	(760,504)		(2,619,746)
Subtotal	(7,994,353)	(2,810,672)	114,373	(10,690,652)
Capital assets being depreciated, net	84,061,522	8,654,347	114,373	92,830,242
Total capital assets, net	$ 123,791,201	$ 12,247,839	$ (6,174,044)	$ 129,864,996

Depreciation expense for the current year was $2,810,672.

In addition, the District has contractual commitments in the amount of $1,343,323, which are included in the following schedule. These projects are included in construction in progress in the governmentwide financial statements.

	Contract Amount	Amounts Paid	Remaining Commitment
Pedestrian Trails - East Mossy Oaks Road - Phase V	$ 58,842	$ -	$ 58,842
Springwoods Village - CityPlace Park (Lower Plaza)	2,136,717	2,034,968	101,749
CityPlace Roadways Phase II	1,818,894	636,162	1,182,732
	$ 4,014,453	$ 2,671,130	$ 1,343,323

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of various public facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

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

Due to developers, beginning of year	$ 39,699,530
Developers funded construction and adjustments	1,016,471
Amounts paid to developers for capital assets	(2,984,637)
Due to developers, end of year	$ 37,731,364

Note 6 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 155,405,000
Unamortized discounts	(1,966,898)
	$ 153,438,102
Due within one year	$ 4,560,000

Note 6 – Long–Term Debt (continued)

The District's bonds payable at December 31, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	$ 8,180,000	$ 9,165,000	2.00% - 4.00%	September 1, 2015 - 2037	March1, September 1	September 1, 2020
2014	50,440,000	55,650,000	3.00% - 5.00%	September 1, 2015 - 2038	March1, September 1	September 1, 2022
2015	20,225,000	22,020,000	2.00% - 4.00%	September 1, 2016 - 2040	March1, September 1	September 1, 2023
2015 Parks	14,930,000	16,250,000	3.00% - 5.50%	September 1, 2016 - 2040	March1, September 1	September 1, 2023
2016 Defined Area No.1 Road	11,355,000	11,940,000	2.00% - 3.50%	September 1, 2017 - 2040	March1, September 1	September 1, 2023
2016	35,645,000	38,000,000	2.00% - 4.00%	September 1, 2017 - 2041	March1, September 1	September 1, 2024
2017 Defined Area No.1 Road	14,630,000	15,000,000	3.00% - 4.00%	September 1, 2018 - 2041	March1, September 1	September 1, 2024
	$ 155,405,000					

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

At December 31, 2018, the District had authorized but unissued bonds as follows:

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	$ 637,000,000	$ 124,835,000	$ 512,165,000
Transportation, mobility and transit facilities (Defined Area No. 1 only)	1,177,000,000	26,940,000	1,150,060,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	16,250,000	299,350,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	$ 2,331,700,000	$ 168,025,000	$ 2,163,675,000

Note 6 – Long–Term Debt (continued)

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

Bonds payable, beginning of year	$	159,770,000
Bonds retired		(4,365,000)
Bonds payable, end of year	$	155,405,000

As of December 31, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	$ 4,560,000	$ 5,317,765	$ 9,877,765
2020	4,755,000	5,145,692	9,900,692
2021	4,955,000	4,955,190	9,910,190
2022	5,170,000	4,758,242	9,928,242
2023	5,405,000	4,552,589	9,957,589
2024	5,630,000	4,398,741	10,028,741
2025	5,875,000	4,218,795	10,093,795
2026	6,130,000	4,039,833	10,169,833
2027	6,400,000	3,849,270	10,249,270
2028	6,685,000	3,661,481	10,346,481
2029	6,970,000	3,457,595	10,427,595
2030	7,285,000	3,238,782	10,523,782
2031	7,605,000	3,004,014	10,609,014
2032	7,935,000	2,757,082	10,692,082
2033	8,285,000	2,493,301	10,778,301
2034	8,650,000	2,210,900	10,860,900
2035	9,040,000	1,910,714	10,950,714
2036	9,435,000	1,593,556	11,028,556
2037	9,855,000	1,249,101	11,104,101
2038	9,625,000	887,976	10,512,976
2039	5,925,000	533,256	6,458,256
2040	6,155,000	324,412	6,479,412
2041	3,075,000	107,419	3,182,419
	$ 155,405,000	$ 68,665,706	$ 224,070,706

Note 7 – Property Taxes

On November 3, 2009, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, on November 16, 2011, the voters of the District authorized the District's Board of Directors to levy a road maintenance tax within Defined Area No. 1 limited to $0.24 per $100 of assessed valued. District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 7 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of $1.12 per $100 of assessed value for property not located in Defined Area No. 1 and $1.485 per $100 of assessed value for property located in Defined Area No. 1. The components of the tax rates are $0.64 per $100 for maintenance and operations, $0.48 per $100 for debt service, and $0.365 for Defined Area No. 1 only road maintenance tax. The resulting tax levy was $21,714,475 on the adjusted taxable value of $1,785,382,994.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2018 levy collections in the amount of $323,773 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the governmentwide *Statement of Net Position*, the full 2018 tax levy of $15,604,045 is reported as deferred inflows. These amounts will be recognized as revenue in 2019.

Property taxes receivable, at December 31, 2018, consisted of the following:

Current tax year receivable	$ 15,280,272
Prior tax years receivable	6,853
	15,287,125
Penalty and interest receivable	3,140
Total property taxes receivable	$ 15,290,265

Note 8 – Sales and Use Taxes

On November 3, 2009, the voters of the District authorized the District to levy, assess and collect District-wide sales and use tax not to exceed one percent. A one percent tax was levied in November 2009. For the year ended December 31, 2018, the District recorded sales and use taxes in the amount of $3,347,253.

Note 9 – Hotel Occupancy Taxes

Effective February 27, 2013, the District levied a 7% hotel occupancy tax. Revenues collected from this tax are restricted by state statute to expenditure for the promotion of tourism and support of convention/hotel activity. For the year ended December 31, 2018, the District collected hotel occupancy taxes in the amount of $493,610.

Note 10 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads and streets constructed within the County. Accordingly, the District does not record these capital assets in the Statement of Net Position, but instead reports the completed projects as transfers to other governments on the Statement of Activities. For the year ended December 31, 2018, the District recorded $2,077,528 in transfers to other governments.

Note 11 – Lease Agreement

On June 25, 2013, the District entered into a tree farm ground lease, which is for a 60-month term, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. Total costs for such lease for the fiscal year ended December 31, 2018 was $60,000. The District is responsible for all ordinary expenses related to repairing and maintaining the grounds.

The monthly payment for the lease is $5,000. This lease is now month to month. The January 2019 payment is recorded as a prepaid expense on the *Statement of Net Position.*

Note 12 – Economic Development Agreement with Harris County

On December 12, 2012, the District entered into an economic development agreement (the “Agreement”) with Harris County, whereby the County will rebate a portion of the County’s tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads and certain park improvements within the District. The Agreement obligates the County to rebate up to $82,000,000 plus interest to the District to finance these improvements. The term of the agreement is through the tax year ending December 31, 2042. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not determined to pledge such revenue to any future bond issue. During the current fiscal year, the County has rebated $4,229,335.

Note 13 – Contingent Liabilities and Litigation

On July 23, 2012, Hassell Construction Co., Inc. (“Hassell”) sued the District and Springwoods Realty Company (Springwoods), the predecessor to the principal developer, for breach of contract claims pursuant to the August 11, 2011, contract between the District and Hassell for the construction of capital assets within the District. Hassell alleges that excessive plan revisions and schedule interruptions caused them to incur damages from productivity losses. Since the project engineer was responsible for preparing and furnishing all of the drawings and revisions that are the subject of Hassel’s claims, the District and Springwoods have sued the project engineer for breach of contract, breach of express or implied warranty and negligence. On October 3, 2016, Hassell nonsuited and dismissed its claims against the District and Springwoods. On January 26, 2017, the District, Springwoods and the engineer filed a motion to nonsuit and all claims were dismissed. On March 1, 2017, R. Hassell & Company, Inc. and R. Hassell Builders, Inc. (R. Hassell) filed a notice of appeal. The appeal was abated on July 10, 2018, as a result of R. Hassell’s Chapter 11 bankruptcy filing.

Note 13 – Contingent Liabilities and Litigation (continued)

On December 9, 2016, Hassell filed a new lawsuit naming Springwoods and the District as defendants. The claims in the new lawsuit are essentially the same as the original Hassell lawsuit, which was non-suited on October 3, 2016. As in the original lawsuit, the District and Springwoods both filed third-party petitions against the engineers involved in the project and filed counterclaims against Hassell. On July 11, 2017, Springwoods filed a motion for summary judgement, to which the District joined. On August 25, 2017, the court granted the motion for summary judgement in part, dismissing all of Hassell's claims, with the exception of its claim regarding certain unpaid invoices. The parties subsequently reached an agreement and the District paid $370,000 as final settlement for amounts owed to Hassell. The case was dismissed on July 10, 2018.

On December 12, 2016, Hassell derivatively by and through its shareholder Royce Hassell; R. Hassell & Company Inc.; and R. Hassell Builders (R. Hassell) filed a separate lawsuit to reopen the original case to the satisfaction of Royce Hassell as an owner of HCCI and on behalf of shareholders. R. Hassell alleges that Hassell nonsuited its claims without Royce Hassell's consent and without securing a settlement. Both Springwoods and the District filed motions for summary judgment, arguing that R. Hassell's claims are time-barred by the applicable statute of limitations. The court granted the motions for summary judgment on July 14, 2017. On October 27, 2017, R. Hassell filed a notice to appeal; which was abated on July 10, 2018, following R. Hassell's Chapter 11 bankruptcy filing.

The District's insurance carrier has been notified of all claims and Engvall & Lopez, LLP has been engaged to represent the District. Since the amount to be paid by the District pursuant to these claims, if any, cannot be determined, the District has not recorded a liability for these claims.

Note 14 – Risk Management

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

Note 15 – Concentration of Risk

Approximately 92% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for the District, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

Harris County Improvement District No. 18
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for utility services	$ 3,600,000	$ 2,610,275	$ (989,725)
Property taxes	11,410,632	11,084,582	(326,050)
Penalties and interest	5,000	18,063	13,063
Harris County property tax rebate		4,229,335	4,229,335
Sales and use taxes	750,000	3,347,253	2,597,253
Tap connection and inspection fees	5,000	604,138	599,138
Miscellaneous	24,400	93,713	69,313
Investment earnings	25,000	324,123	299,123
Total Revenues	15,820,032	22,311,482	6,491,450
Expenditures			
Current			
Professional fees	1,900,000	1,818,370	81,630
Contracted services	1,766,500	1,705,420	61,080
Repairs and maintenance	3,570,000	3,925,816	(355,816)
Regional Water Authority fees	900,000	760,395	139,605
Utilities	240,000	212,645	27,355
Tree farm ground lease	60,000	60,000	
Administrative	142,500	127,205	15,295
Miscellaneous	28,500	75,927	(47,427)
Capital outlay	9,676,500	12,018,205	(2,341,705)
Debt Service			
Developer interest		1,324,597	(1,324,597)
Total Expenditures	18,284,000	22,028,580	(3,744,580)
Revenues Over/(Under) Expenditures	(2,463,968)	282,902	2,746,870
Other Financing Sources			
Internal transfers	9,500		(9,500)
Other Item			
Insurance recovery		170,789	170,789
Net change in fund balance	(2,454,468)	453,691	2,908,159
Fund Balance			
Beginning of the year	14,388,955	14,388,955	
End of the year	$ 11,934,487	$ 14,842,646	$ 2,908,159

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Improvement District No. 18
TSI-1. Services and Rates
December 31, 2018

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

- [X] Retail Water
- [ ] Wholesale Water
- [X] Solid Waste / Garbage
- [X] Drainage
- [X] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [X] Irrigation
- [X] Parks / Recreation
- [ ] Fire Protection
- [X] Roads (defined area no. 1)
- [X] Security
- [ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- [X] Other (Specify): Non-potable water for construction use

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 11.00	- 0 -	N	$ 0.75	1,001	to	5,000
				$ 1.50	5,001	to	25,000
				$ 2.75	25,001	to	60,000
				$ 3.75	60,001	to	no limit
Irrigation:	$ 11.00	- 0 -	N	Irrigation rates are the same as for water			
Wastewater:	$ 42.62	- 0 -	N	$ 0.75	1,001	to	5,000
				$ 1.50	5,001	to	no limit

In addition, Non-potable customers are billed at 105% of the water bill for the Regional Water Authority fees
All other customers are billed at 120% of the water bill for the Regional Water Authority fees

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 25.80 Wastewater $ 53.12

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	76	75	x 1.0	75
1"	21	21	x 2.5	53
1.5"	1	1	x 5.0	5
2"	21	19	x 8.0	152
3"	1	1	x 15.0	15
4"	1	1	x 25.0	
6"	3	3	x 50.0	150
8"	3	3	x 80.0	240
10"			x 115.0	0
12"			x 150.0	0
Total Water	127	124		690
Total Wastewater	89	87	x 1.0	87

See accompanying auditors' report.

3. Total Water Consumption during the fiscal period (in thousands):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	224,242,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	210,413,000	93.83%

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

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

   If yes, Date of the most recent commission Order: ______

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

   If yes, Date of the most recent commission Order: ______

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

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

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

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

   City(ies) in which the District is located: ______

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

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

   ETJs in which the District is located: City of Houston

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

   If Yes, by whom? Texas Commission on Environmental Quality

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-2. General Fund Expenditures
For the Year Ended December 31, 2018

Professional fees	
Legal	$ 329,673
Audit	26,500
Engineering	1,462,197
	1,818,370
Contracted services	
Bookkeeping	64,960
Operator	232,041
Security	927,088
Garbage	15,980
Tap connection and inspection	222,193
Sludge haul	23,353
District management	219,805
	1,705,420
Repairs and maintenance	3,925,816
Regional Water Authority fees	760,395
Utilities	212,645
Tree farm ground lease	60,000
Administrative	
Directors fees	7,500
Printing and office supplies	5,526
Insurance	69,293
Other	44,886
	127,205
Miscellaneous	75,927
Capital outlay	12,018,205
Developer interest	1,324,597
Total expenditures	$ 22,028,580

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	2,089,031 kwh's	$179,352
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-3. Investments
December 31, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest
General					
Certificate of deposit	XXXXXX1529	2.40%	10/3/2019	$ 500,000	$ 1,775
Certificate of deposit	XXXXXX4423	1.30%	2/27/2019	1,000,000	10,934
Certificate of deposit	XXXXXX2085	1.30%	4/26/2019	1,500,000	13,488
Certificate of deposit	XXXXXX4187	2.45%	11/4/2019	1,500,000	2,416
Certificate of deposit	XXXXXX8416	1.30%	1/4/2019	1,500,000	19,286
Certificate of deposit	XXXXXX2720	1.30%	1/7/2019	1,500,000	19,073
Certificate of deposit	XXXXXX7794	1.30%	1/30/2019	1,500,000	17,844
Certificate of deposit	XXXXXX1624	1.30%	2/1/2019	1,500,000	17,790
Certificate of deposit	XXXXXX6319	1.30%	3/26/2019	1,500,000	14,906
Certificate of deposit	XX150	2.35%	7/29/2019	240,000	927
Certificate of deposit	XX9427	2.10%	5/7/2019	245,000	2,016
Certificate of deposit	XXX9634	2.30%	9/2/2019	240,000	832
Certificate of deposit	XXXXX6704	2.37%	6/6/2019	240,000	1,293
Certificate of deposit	XX669	2.35%	7/5/2019	240,000	1,486
Texas CLASS	TX-XX-XXXX-0001	Variable	N/A	1,379,170	
				14,584,170	124,067
Debt Service					
Certificate of deposit	XXX2719	2.40%	8/27/2019	245,000	2,029
Certificate of deposit	XXXXXXXXXX9319	2.35%	8/27/2019	245,000	1,988
Certificate of deposit	XXXX0316	2.40%	8/27/2019	245,000	2,029
Certificate of deposit	XX096	2.40%	8/20/2019	245,000	2,143
Certificate of deposit	XXXXXX0372	2.40%	8/16/2019	245,000	2,191
Certificate of deposit	XXXX0654	2.40%	8/18/2019	245,000	2,175
Certificate of deposit	XX672	2.35%	8/5/2019	245,000	2,334
Certificate of deposit	XXXXXX3202	2.40%	8/29/2019	245,000	1,998
Certificate of deposit	XX92	2.35%	8/25/2019	245,000	2,019
Certificate of deposit	XX36	2.45%	8/19/2019	245,000	2,252
Texas CLASS	TX-XX-XXXX-0002	Variable	N/A	2,259,945	
Texas CLASS	TX-XX-XXXX-0004	Variable	N/A	773,299	
				5,483,244	21,158
Capital Projects					
Texas CLASS	TX-XX-XXXX-0009	Variable	N/A	1,273,357	
Texas CLASS	TX-XX-XXXX-0011	Variable	N/A	644,332	
				1,917,689	
Hotel Occupancy Tax					
Texas CLASS	TX-XX-XXXX-0010	Variable	N/A	975,779	
Total - All Funds				$ 22,960,882	$ 145,225

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-4. Taxes Levied and Receivable
December 31, 2018

	Maintenance Taxes	Road Debt Service Taxes	WSD Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	$ 11,592,067	$ 1,778,223	$ 8,690,915	$ 22,061,205
Adjustments (Including Rollbacks)	(575,999)	32	(342,881)	(918,848)
Adjusted Receivable	11,016,068	1,778,255	8,348,034	21,142,357
2018 Original Tax Levy	4,552,481	1,789,782	9,104,962	15,447,225
Adjustments	38,076	42,593	76,151	156,820
Adjusted Tax Levy	4,590,557	1,832,375	9,181,113	15,604,045
Total to be accounted for	15,606,625	3,610,630	17,529,147	36,746,402
Tax collections:				
Current year	77,088	92,510	154,175	323,773
Prior years	11,013,156	1,775,723	8,346,625	21,135,504
Total Collections	11,090,244	1,868,233	8,500,800	21,459,277
Taxes Receivable, End of Year	$ 4,516,381	$ 1,742,397	$ 9,028,347	$ 15,287,125
Taxes Receivable, By Years				
2018	$ 4,513,469	$ 1,739,865	$ 9,026,938	$ 15,280,272
2017	300	25	225	550
2016	49	2,507	31	2,587
2015 and prior	2,563		1,153	3,716
	$ 4,516,381	$ 1,742,397	$ 9,028,347	$ 15,287,125

	2018	2017	2016	2015
Property Valuations:				
Land	$ 337,484,305	$ 418,014,589	$ 394,151,391	$ 340,934,796
Improvements	1,464,802,575	1,358,927,757	1,318,973,511	1,167,442,695
Personal Property	238,903,955	222,613,233	192,078,884	122,412,068
Exemptions	(204,968,266)	(214,172,585)	(181,457,809)	(150,997,383)
Total Property Valuations	$ 1,836,222,569	$ 1,785,382,994	$ 1,723,745,977	$ 1,479,792,176
Tax Rates per $100 Valuation:				
Maintenance and operations	$ 0.250	$ 0.640	$ 0.820	$ 1.085
Defined Area No. 1 road debt service	0.300	0.365	0.170	
Debt service	0.500	0.480	0.510	0.415
Total Tax Rates per $100 Valuation	$ 1.050	$ 1.485	$ 1.500	$ 1.500
Adjusted Tax Levy	$ 13,771,670	$ 19,996,290	$ 22,925,821	$ 22,196,883
Defined Area No. 1 Tax Levy	1,832,375	1,718,185	725,864	
Total Adjusted Tax Levy	$ 15,604,045	$ 21,714,475	$ 23,651,685	$ 22,196,883
Percentage of Taxes Collected to Taxes Levied **	2.07%	99.99%	99.99%	99.99%

* Maximum General Maintenance Tax Rate Approved by Voters: $1.50 on November 3, 2009

* Maximum Road Maintenance Tax Rate for Approved by Voters: $0.24 on November 16, 2011
(Defined Area No. 1 only)

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

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 275,000	$ 279,665	$ 554,665
2020	290,000	271,415	561,415
2021	300,000	262,715	562,715
2022	315,000	253,715	568,715
2023	330,000	244,264	574,264
2024	345,000	234,364	579,364
2025	365,000	224,014	589,014
2026	380,000	212,700	592,700
2027	400,000	197,500	597,500
2028	415,000	184,500	599,500
2029	435,000	171,013	606,013
2030	460,000	155,788	615,788
2031	480,000	139,688	619,688
2032	500,000	122,888	622,888
2033	525,000	104,763	629,763
2034	550,000	85,731	635,731
2035	575,000	65,794	640,794
2036	605,000	44,950	649,950
2037	635,000	23,019	658,019
	$ 8,180,000	$ 3,278,486	$ 11,458,486

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 1,485,000	$ 1,864,594	$ 3,349,594
2020	1,565,000	1,790,344	3,355,344
2021	1,645,000	1,712,094	3,357,094
2022	1,730,000	1,629,844	3,359,844
2023	1,825,000	1,543,344	3,368,344
2024	1,920,000	1,488,594	3,408,594
2025	2,020,000	1,430,993	3,450,993
2026	2,125,000	1,370,394	3,495,394
2027	2,235,000	1,306,644	3,541,644
2028	2,355,000	1,239,593	3,594,593
2029	2,480,000	1,163,056	3,643,056
2030	2,610,000	1,082,455	3,692,455
2031	2,745,000	994,369	3,739,369
2032	2,890,000	901,725	3,791,725
2033	3,040,000	800,575	3,840,575
2034	3,200,000	690,375	3,890,375
2035	3,370,000	574,375	3,944,375
2036	3,545,000	448,000	3,993,000
2037	3,730,000	306,200	4,036,200
2038	3,925,000	157,000	4,082,000
	$ 50,440,000	$ 22,494,568	$ 72,934,568

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 575,000	$ 650,863	$ 1,225,863
2020	600,000	639,363	1,239,363
2021	625,000	627,363	1,252,363
2022	650,000	614,863	1,264,863
2023	680,000	601,863	1,281,863
2024	705,000	588,263	1,293,263
2025	735,000	560,063	1,295,063
2026	765,000	541,688	1,306,688
2027	800,000	518,738	1,318,738
2028	835,000	494,738	1,329,738
2029	870,000	469,688	1,339,688
2030	905,000	443,588	1,348,588
2031	945,000	415,306	1,360,306
2032	985,000	384,594	1,369,594
2033	1,025,000	352,581	1,377,581
2034	1,070,000	317,988	1,387,988
2035	1,115,000	280,538	1,395,538
2036	1,165,000	241,513	1,406,513
2037	1,215,000	199,281	1,414,281
2038	1,265,000	155,238	1,420,238
2039	1,320,000	107,800	1,427,800
2040	1,375,000	55,000	1,430,000
	$ 20,225,000	$ 9,260,920	$ 29,485,920

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2015 Parks--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 425,000	$ 538,137	$ 963,137
2020	440,000	514,762	954,762
2021	460,000	491,112	951,112
2022	480,000	468,112	948,112
2023	500,000	444,112	944,112
2024	520,000	419,113	939,113
2025	545,000	393,113	938,113
2026	565,000	365,863	930,863
2027	590,000	337,613	927,613
2028	615,000	319,913	934,913
2029	640,000	301,463	941,463
2030	670,000	282,263	952,263
2031	700,000	261,325	961,325
2032	725,000	240,325	965,325
2033	760,000	216,763	976,763
2034	790,000	193,963	983,963
2035	825,000	167,300	992,300
2036	860,000	142,550	1,002,550
2037	895,000	114,600	1,009,600
2038	935,000	87,750	1,022,750
2039	975,000	59,700	1,034,700
2040	1,015,000	30,450	1,045,450
	$ 14,930,000	$ 6,390,302	$ 21,320,302

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2016 Defined Area No. 1 Road--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 315,000	$ 352,406	$ 667,406
2020	325,000	346,107	671,107
2021	340,000	339,606	679,606
2022	355,000	332,807	687,807
2023	375,000	325,706	700,706
2024	390,000	318,206	708,206
2025	405,000	306,506	711,506
2026	425,000	294,356	719,356
2027	445,000	281,606	726,606
2028	465,000	268,256	733,256
2029	485,000	254,306	739,306
2030	510,000	239,150	749,150
2031	530,000	223,213	753,213
2032	555,000	205,988	760,988
2033	580,000	187,950	767,950
2034	605,000	168,375	773,375
2035	635,000	147,956	782,956
2036	660,000	126,525	786,525
2037	690,000	103,425	793,425
2038	720,000	79,275	799,275
2039	755,000	54,075	809,075
2040	790,000	27,650	817,650
	$ 11,355,000	$ 4,983,450	$ 16,338,450

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 1,100,000	$ 1,104,131	$ 2,204,131
2020	1,130,000	1,071,132	2,201,132
2021	1,165,000	1,025,931	2,190,931
2022	1,200,000	979,332	2,179,332
2023	1,235,000	931,331	2,166,331
2024	1,275,000	906,632	2,181,632
2025	1,310,000	879,537	2,189,537
2026	1,350,000	850,063	2,200,063
2027	1,390,000	818,000	2,208,000
2028	1,435,000	781,512	2,216,512
2029	1,475,000	742,050	2,217,050
2030	1,520,000	697,800	2,217,800
2031	1,565,000	652,200	2,217,200
2032	1,615,000	605,249	2,220,249
2033	1,660,000	556,800	2,216,800
2034	1,710,000	504,924	2,214,924
2035	1,765,000	451,488	2,216,488
2036	1,815,000	394,124	2,209,124
2037	1,870,000	335,138	2,205,138
2038	1,925,000	272,025	2,197,025
2039	1,985,000	207,056	2,192,056
2040	2,045,000	140,062	2,185,062
2041	2,105,000	71,044	2,176,044
	$ 35,645,000	$ 14,977,561	$ 50,622,561

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2017 Defined Area No. 1 Road--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 385,000	$ 527,969	$ 912,969
2020	405,000	512,569	917,569
2021	420,000	496,369	916,369
2022	440,000	479,569	919,569
2023	460,000	461,969	921,969
2024	475,000	443,569	918,569
2025	495,000	424,569	919,569
2026	520,000	404,769	924,769
2027	540,000	389,169	929,169
2028	565,000	372,969	937,969
2029	585,000	356,019	941,019
2030	610,000	337,738	947,738
2031	640,000	317,913	957,913
2032	665,000	296,313	961,313
2033	695,000	273,869	968,869
2034	725,000	249,544	974,544
2035	755,000	223,263	978,263
2036	785,000	195,894	980,894
2037	820,000	167,438	987,438
2038	855,000	136,688	991,688
2039	890,000	104,625	994,625
2040	930,000	71,250	1,001,250
2041	970,000	36,375	1,006,375
	$ 14,630,000	$ 7,280,419	$ 21,910,419

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 4,560,000	$ 5,317,765	$ 9,877,765
2020	4,755,000	5,145,692	9,900,692
2021	4,955,000	4,955,190	9,910,190
2022	5,170,000	4,758,242	9,928,242
2023	5,405,000	4,552,589	9,957,589
2024	5,630,000	4,398,741	10,028,741
2025	5,875,000	4,218,795	10,093,795
2026	6,130,000	4,039,833	10,169,833
2027	6,400,000	3,849,270	10,249,270
2028	6,685,000	3,661,481	10,346,481
2029	6,970,000	3,457,595	10,427,595
2030	7,285,000	3,238,782	10,523,782
2031	7,605,000	3,004,014	10,609,014
2032	7,935,000	2,757,082	10,692,082
2033	8,285,000	2,493,301	10,778,301
2034	8,650,000	2,210,900	10,860,900
2035	9,040,000	1,910,714	10,950,714
2036	9,435,000	1,593,556	11,028,556
2037	9,855,000	1,249,101	11,104,101
2038	9,625,000	887,976	10,512,976
2039	5,925,000	533,256	6,458,256
2040	6,155,000	324,412	6,479,412
2041	3,075,000	107,419	3,182,419
	$ 155,405,000	$ 68,665,706	$ 224,070,706

See accompanying auditors' report.

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Harris County Improvement District No. 18
TSI-6. Change in Long-Term Bonded Debt
December 31, 2018

	Bond Issue		
	Series 2013	Series 2014	Series 2015
Interest rate	2.00% - 4.00%	3.00% - 5.00%	2.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/15 - 9/1/37	9/1/15 - 9/1/38	9/1/16 - 9/1/40
Beginning bonds outstanding	$ 8,445,000	$ 51,850,000	$ 20,775,000
Bonds issued			
Bonds retired	(265,000)	(1,410,000)	(550,000)
Ending bonds outstanding	$ 8,180,000	$ 50,440,000	$ 20,225,000
Interest paid during fiscal year	$ 284,965	$ 1,935,094	$ 661,863

Paying agent's name and city	
Series 2013	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014	Regions Bank, N.A., Houston, Texas
Series 2015 and 2016, 2015 Parks, Defined Area No. 1 2016 and 2017 Road	Amegy Bank N.A., Houston, Texas

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	$ 637,000,000	$ 124,835,000	$ 512,165,000
Transportation, mobility and transit facilities (Defined Area No. 1 only)	1,177,000,000	26,940,000	1,150,060,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	16,250,000	299,350,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	$ 2,331,700,000	$ 168,025,000	$ 2,163,675,000

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

Debt Service Fund cash and temporary investments balances as of December 31, 2018:	$ 6,331,882
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 9,742,205

See accompanying auditors' report.

Series 2015 Parks	Series 2016 Defined Area No.1 Road	Series 2016	Series 2017 Defined Area No.1 Road	Total
Bond Issue				
3.00% - 5.50%	2.00% - 3.50%	2.00% - 4.00%	3.00% - 4.00%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/16 - 9/1/40	9/1/17 - 9/1/40	9/1/17 - 9/1/41	9/1/18 - 9/1/41	
$ 15,335,000	$ 11,655,000	$ 36,710,000	$ 15,000,000	$ 159,770,000
(405,000)	(300,000)	(1,065,000)	(370,000)	(4,365,000)
$ 14,930,000	$ 11,355,000	$ 35,645,000	$ 14,630,000	$ 155,405,000
$ 560,412	$ 358,407	$ 1,136,082	$ 542,769	$ 5,479,592

Harris County Improvement District No. 18
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Charges for utility services	$ 2,610,275	$ 2,310,592	$ 2,132,310	$ 2,022,710	$ 1,493,348
Property taxes	11,084,582	14,850,002	15,979,873	4,781,346	1,458,180
Penalties and interest	18,063	28,874	41,775	148,661	73,377
Harris County property tax rebate	4,229,335	3,985,456	3,465,510	1,535,251	124,282
Sales and use taxes	3,347,253	955,845	718,270	546,713	754,576
Tap connection and inspection fees	604,138	752,848	335,306	591,339	190,757
Miscellaneous	93,713	24,752	210,948	34,096	569,570
Investment earnings	324,123	196,169	86,276	18,062	3,768
Total Revenues	22,311,482	23,104,538	22,970,268	9,678,178	4,667,858
Expenditures					
Current					
Professional fees	1,818,370	1,755,857	1,755,522	1,327,358	1,024,185
Contracted services	1,705,420	1,643,677	834,728	548,401	625,889
Repairs and maintenance	3,925,816	4,304,741	2,144,035	1,705,075	612,381
Regional Water Authority fees	760,395	557,352	366,680	354,658	216,254
Utilities	212,645	197,168	173,919	157,117	106,960
Tree farm ground lease	60,000	60,000	60,000	60,000	60,000
Administrative	127,205	111,546	91,630	88,245	51,854
Miscellaneous	75,927	100,628	20,756	58,568	49,289
Capital outlay	12,018,205	12,082,917	10,920,997	528,528	276,100
Developer interest	1,324,597	1,716,153	2,004,339	1,535,251	124,282
Debt issuance costs			9,500		
Total Expenditures	22,028,580	22,530,039	18,382,106	6,363,201	3,147,194
Revenues Over Expenditures	$ 282,902	$ 574,499	$ 4,588,162	$ 3,314,977	$ 1,520,664
Total Active Retail Water Connections	124	123	100	70	63
Total Active Retail Wastewater Connections	87	87	58	53	53

* Negligible percentage

See accompanying auditors' report.

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
12%	10%	9%	21%	32%
50%	65%	71%	49%	31%
*	*	*	2%	2%
19%	17%	15%	16%	3%
15%	4%	3%	6%	16%
3%	3%	1%	6%	4%
*	*	1%	*	12%
1%	1%	*	*	*
100%	100%	100%	100%	100%
8%	8%	8%	14%	22%
8%	7%	4%	6%	13%
18%	19%	9%	18%	13%
3%	2%	2%	4%	5%
1%	1%	1%	2%	2%
*	*	*	1%	1%
1%	*	*	1%	1%
*	*	*	1%	1%
54%	52%	48%	5%	6%
6%	7%	9%	16%	3%
		*		
99%	96%	81%	68%	67%
1%	4%	19%	32%	33%

Harris County Improvement District No. 18
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	$ 10,373,520	$ 9,990,422	$ 6,123,967	$ 5,038,294	$ 432,784
Penalty and interest	52,291	4,605	30,772	10,325	16
Accrued interest on bonds sold					159,382
Miscellaneous	7,270	8,387	882	2,194	300
Investment earnings	168,934	72,696	33,086	15,629	3,376
Total Revenues	10,602,015	10,076,110	6,188,707	5,066,442	595,858
Expenditures					
Tax collection services	155,735	263,577	211,794	109,013	25,403
Debt service					
Principal	4,365,000	4,085,000	2,755,000	1,415,000	
Interest and fees	5,482,924	5,052,085	3,549,191	2,602,856	299,865
Total Expenditures	10,003,659	9,400,662	6,515,985	4,126,869	325,268
Revenues Over/(Under) Expenditures	$ 598,356	$ 675,448	$ (327,278)	$ 939,573	$ 270,590

* Negligible percentage

See accompanying auditors’ report.

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
98%	99%	99%	100%	72%
*	*	*	*	*
				27%
*	*	*	*	*
2%	1%	1%	*	1%
100%	100%	100%	100%	100%
1%	3%	3%	2%	4%
41%	41%	45%	28%	
52%	50%	57%	51%	50%
94%	94%	105%	81%	54%
6%	6%	(5%)	19%	46%

Harris County Improvement District No. 18
TSI-8. Board Members, Key Personnel and Consultants
December 31, 2018

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027		
District Business Telephone Number:	(713) 860-6400		
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 23, 2017		
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)		$	7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Robert T. Deden	06/15 to 06/19	$ 2,100	$ 283	President
Dwayne L. Mason	06/17 to 06/21	1,350		Vice President
Dana Benoit	06/15 to 06/19			Assistant Vice President
Sue Darcy	06/15 to 06/19	2,100	118	Secretary
Richard Rose	06/17 to 06/21	1,950		Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	06/09			Attorney
General legal		$ 363,761		
TNG Utility Corp.	01/10	1,038,955		Operator
Municipal Accounts & Consulting, LP	12/13	79,798		Bookkeeper
Assessment of the Southwest, Inc.	07/11	21,690		Tax Collector
Harris County Appraisal District	Legislation	144,966		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/12	14		Delinquent Tax Attorney
Jones & Carter, Inc.	03/14	839,451		Engineer
Tolunay-Wong Engineers, Inc.	06/12	89,768		Engineer
Mike Stone Associates, Inc.	02/16	220,064		Engineer
DCS Engineering, LLC	04/12	164,580		Engineer
Halff Associates, Inc.	11/16	726,014		Engineer
McGrath & Co., PLLC - CPA's	Annual	26,500		Auditor
Jones - Heroy & Associates, Inc.	02/11	5,677		Contract Reviewer
Berg Oliver	11/09	3,583		Environmental Consultant
Clark Condon Associates, Inc.	03/12	6,940		Landscape Architect
Office of James Burnett	04/12	138,611		Landscape Architect
C.L. Davis & Co.		363,350		Land Surveyors
Robert W. Baird	01/15			Financial Advisor

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

APPENDIX B

MAC SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

MUNICIPAL ASSURANCE CORP. ("MAC"), 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 MAC, 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 MAC shall have received Notice of Nonpayment, MAC 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 MAC, 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 MAC. 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 MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC 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, MAC 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 MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC 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 MAC 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 MAC 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.

MAC 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 MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC 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 MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC 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 MAC 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 MAC, 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, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By ______________________________
Authorized Officer

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

APPENDIX C

AGM 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