OFFICIAL STATEMENT DATED JULY 9, 2019

IN THE OPINION OF ORRICK, HERRINGTON & SUTCLIFFE LLP, SPECIAL TAX COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. SPECIAL TAX COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry-Only

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

$9,575,000

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

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

UNLIMITED TAX REFUNDING BONDS
SERIES 2019B

Dated: August 1, 2019 **Due: September 1, as shown below**

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N. A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from August 1, 2019 and will be payable on March 1 and September 1 of each year commencing March 1, 2020 (seven months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (Sept 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	$ 50,000	3.00 %	1.65 %	41450G PY3	2025	$ 1,800,000	3.00 %	1.94 %	41450G QD8
2021	50,000	3.00	1.68	41450G PZ0	2026	1,830,000 (c)	2.00	2.15	41450G QE6
2022	895,000	3.00	1.72	41450G QA4	2027	1,580,000 (c)	2.00	2.27	41450G QF3
2023	895,000	3.00	1.79	41450G QB2	2028	720,000 (c)	2.00	2.37	41450G QG1
2024	1,755,000	3.00	1.86	41450G QC0					

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from August 1, 2019 is to be added to the price.

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

(c) The Bonds maturing on and after September 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Water Control and Improvement District No. 96 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P, Houston, Texas. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about August 13, 2019.

SAMCO CAPITAL

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas, 77056, upon payment of duplication costs.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer ....Harris County Water Control and Improvement District No. 96 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue..$9,575,000 Harris County Water Control and Improvement District No. 96 Unlimited Tax Refunding Bonds, Series 2019B (the "Bonds") are issued pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), Chapter 1207 of the Texas Government Code, Chapters 49 and 51 of the Texas Water Code, City of Houston Ordinance No. 97-416, Article XVI, Section 59 of the Texas Constitution, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from August 1, 2019, and is payable on March 1, 2020 (seven months of interest), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after September 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only ....The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Source of Payment...........................The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds...............................Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease $9,435,000 of the District's Outstanding Bonds in order to achieve annual and net present value savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." After the issuance of the Bonds, $35,140,000 principal amount of the Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "PLAN OF FINANCING—Refunded Bonds," "—Sources and Uses of Funds" and "FINANCIAL STATEMENT—Outstanding Bonds."

Payment Record ....The District has previously issued nine series of unlimited tax bonds, one series of unlimited tax park bonds, one series of unlimited tax park refunding bonds and six series of unlimited tax refunding bonds, of which an aggregate principal amount of $44,575,000 is currently outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT—Outstanding Bonds." The District has never defaulted on the payment of principal and interest on the previously issued bonds.

Qualified Tax-Exempt Obligations ....In the Bond Order, the District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

Bond Counsel ....Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas.

Underwriter's Counsel....................McCall, Parkhurst & Horton L.L.P, Houston, Texas.

Financial Advisor............................Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar...................The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.

Escrow Agent..................................The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.

Verification Agent ....Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Municipal Bond Insurance and Rating ....It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). The Bonds also have been assigned an underlying credit rating of "A" by S&P without regard to credit enhancement. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

THE DISTRICT

Description ....The District was created by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the "Commission"), dated June 16, 1966. The District contains approximately 1,184 acres of land located in the northeast portion of Harris County approximately 13 miles from downtown Houston, Texas. The District is located two miles east of the intersection of Beltway 8 and U.S. 59 Eastex Freeway with the majority of the District located south of Beltway 8. The District lies entirely within the extraterritorial jurisdiction of the City of Houston. See "THE DISTRICT—General."

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

The Houston area, including Harris County, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, the District did not receive any reports of homes within the District that experienced flooding or other material damage as a result of Hurricane Harvey. In addition, to the knowledge of the District, no commercial improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See "THE SYSTEM." The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAX PROCEDURES—Valuation of Property for Taxation."

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

Status of Development..................... Land within the District has been developed as the master planned community of Fall Creek. The District provides water, sanitary sewer and drainage facilities to serve Fall Creek, Sections 1 through 11, Sections 14 through 31 and Section 34 located within the District (approximately 612 acres of land developed into 2,006 single-family residential lots and approximately 13 acres of land developed into 68 single-family townhome lots). Construction of underground utilities and street paving is complete in all residential sections. As of June 8, 2019, the District contained 2,033 active single-family connections, 11 inactive single- family home connections, 5 builder connections, and approximately 25 vacant developed lots available for homebuilding. After construction of homes on such vacant lots, single-family residential development in the District will be built out. According to the 2018 tax rolls of the District, the average taxable house value in the District is approximately $350,000.

In addition to the single-family development described above, approximately 112 acres have been developed for commercial and multi-family purposes. Multi-family development in the District consists of two apartment projects: Sierra at Fall Creek (252 units, 95% occupied) and Cascade at Fall Creek (514 units, 94% occupied). The Stonegrove at Fall Creek Apartments (322 units) are under construction and nearing completion. Leasing commenced in February 2019. Commercial development in the District consists of a Kelsey Seybold Medical Clinic, an assisted living facility, a Los Cucos Mexican Restaurant, a CVS pharmacy, a Walgreen's pharmacy, a Chase Bank, a Chili's Restaurant, three daycare centers, a 13,000 square foot shopping center, a 10,000 square foot shopping center, a 28,000 square foot shopping center, and a 100,000 square foot shopping center. A Humble Independent School District elementary school is located on approximately 14 acres of land in the District. The District presently contains approximately 44 acres planned for commercial development which are served by underground water, sanitary sewer and drainage trunk facilities.

Approximately 192 acres of land are used for drainage easements, rights-of-way, open space, a fire station, and a water plant site, approximately 10 acres are used for recreational facilities (including a competition sized swimming pool with water slides and other appurtenances, and four tennis courts), approximately 95 acres are District park facilities including several baseball fields, soccer fields, volleyball court, playground, concession and restroom building, picnic pavilion and parking lots, approximately 66 acres are open space and golf course property areas, including a 40,000 square foot office building and 32,000 square foot clubhouse for the Golf Club of Houston (formerly the Redstone Golf Club), and 26 acres of undeveloped land owned by Escalante Golf, Inc. The two 18-hole golf courses, which are part of the Golf Club of Houston, are not located within the boundaries of the District. See "THE DISTRICT—Status of Development."

Landowners..................................... The principal developer of land within the District is Fall Creek Development Partners, L.P., a Texas limited partnership ("FCDP"), the sole general partner of which is El Dorado Tract GP, Inc., a Texas corporation. Several Texas limited partnerships (collectively, the "Fall Creek Investor Partnerships") affiliated with and controlled by El Dorado Tract GP, Inc., own the remaining developable commercial land within the District. All of such acreage is served with water, sanitary sewer and drainage trunk facilities.

Escalante Golf, Inc. purchased the Golf Club of Houston in April 2013 and owns approximately 26 acres of undeveloped land in the District. All of such acreage is served with water, sanitary sewer and drainage trunk facilities. See "LANDOWNERS" herein.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2018 Certified Taxable Assessed Valuation	$902,898,001	(a)
2019 Preliminary Taxable Assessed Valuation	$984,063,250	(b)
Gross Direct Debt Outstanding	$44,715,000	(c)
Estimated Overlapping Debt	43,867,673	(d)
Gross Direct Debt and Estimated Overlapping Debt	$88,582,673	
Ratio of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	4.95%	
2019 Preliminary Taxable Assessed Valuation	4.54%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation	9.81%	
2019 Preliminary Taxable Assessed Valuation	9.00%	
2018 Debt Service Tax Rate	$0.475	
2018 Maintenance Tax Rate	0.365	
Total	$0.840	
Average percentage of total tax collections (2014-2018)	99.49%	
Average Annual Debt Service Requirement (2020-2033)	$3,694,295	(e)
Tax Rate Required to Pay Average Annual Debt Service (2020-2033) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation	$0.44	(f)
Based upon 2019 Preliminary Taxable Assessed Valuation	$0.40	(f)
Maximum Annual Debt Service Requirement (2020)	$4,306,452	(e)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation	$0.51	(f)
Based upon 2019 Preliminary Taxable Assessed Valuation	$0.47	(f)
Status of Water Connections as of June 8, 2019 (g):		
Single family – occupied	2,033	
Single family – unoccupied	11	
Builder connections	5	
Multifamily connections (768 units)	4	
Commercial	31	
Other	184	
Total	2,268	
Estimated 2019 Population	8,651	(h)

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Provided by the Appraisal District as a preliminary indication of the 2019 taxable value (as of January 1, 2019). Such amount is subject to review and downward adjustment prior to certification. Such amount includes the 2019 preliminary real property value in the amount of $967,213,453 and the 2018 certified personal property value in the District in the amount of $16,849,797. No tax will be levied on such amount until it is certified in the fall of 2019. See "TAX PROCEDURES."
(c) Includes the Bonds. See "PLAN OF FINANCING—Outstanding Bonds."
(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(e) See "PLAN OF FINANCING—Debt Service Requirements."
(f) See "TAX DATA−Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."
(g) See "THE DISTRICT—Status of Development."
(h) Based upon 3.5 persons per occupied home and 2 persons per apartment unit.

OFFICIAL STATEMENT

$9,575,000

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

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

UNLIMITED TAX REFUNDING BONDS, SERIES 2019B

This Official Statement provides certain information in connection with the issuance by Harris County Water Control and Improvement District No. 96 (the "District") of its $9,575,000 Unlimited Tax Refunding Bonds, Series 2019B (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, Chapters 49 and 51 of the Texas Water Code, City of Houston Ordinance No. 97-416, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and an election held within the District.

This Official Statement includes descriptions of, among others, the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon the payment of the costs of duplication.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds, together with available debt service funds, will be used to currently refund and defease $9,435,000 in principal amount of the District's original issue of $4,775,000 Unlimited Tax Refunding Bonds, Series 2011, $9,305,000 Unlimited Tax Refunding Bonds, Series 2012 and $8,310,000 Unlimited Tax Refunding Bonds, Series 2013 (the "Refunded Bonds") in order to achieve a reduction in the District's annual debt service expense. See "Refunded Bonds" below. A total of $35,140,000 in principal amount of the District's Outstanding Bonds, excluding the Bonds, will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "FINANCIAL STATEMENT—Outstanding Bonds" and "—Sources and Uses of Funds" herein.

Refunded Bonds

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

Maturity Date September 1	Series 2011	Series 2012	Series 2013
2022	$ 335,000	$ -	$ 510,000
2023	345,000	-	505,000
2024	360,000	865,000	495,000
2025	375,000	910,000	495,000
2026	390,000	955,000	490,000
2027	-	1,000,000	620,000
2028	-	-	785,000
	$ 1,805,000	$ 3,730,000	$ 3,900,000
Redemption Date:	September 1, 2019	September 1, 2019	September 1, 2019

The Refunded Bonds will be redeemed on the dates shown above, the earliest redemption date allowable under each of the orders authorizing the issuance of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, along with lawfully available debt service funds, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$9,575,000.00
Plus: Net Premium on the Bonds	211,712.90
Plus: Transfer from Debt Service Fund	159,000.00
Total Sources of Funds	$9,945,712.90
Uses of Funds:	
Deposit to Escrow Fund	$9,615,899.51
Issuance Expenses and Underwriters' Discount (a)	329,813.39
Total Uses of Funds	$9,945,712.90

(a) Includes municipal bond insurance premium.

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the "Escrow Agent").

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase United States Treasury Obligations (the "Escrowed Obligations"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, or other securities authorized by Chapter 1207, Texas Government Code, the Escrow Agent and the Underwriter that the Escrowed Obligations are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Obligations and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($9,435,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2019	$ 3,584,893 (a)	$ 184,906	$ -	$ -	$ -	$ 3,399,986
2020	4,359,819	369,813	50,000	266,446	316,446	4,306,452
2021	4,342,850	369,813	50,000	244,450	294,450	4,267,488
2022	4,331,950	1,214,813	895,000	242,950	1,137,950	4,255,088
2023	4,296,475	1,189,838	895,000	216,100	1,111,100	4,217,738
2024	4,250,750	2,028,363	1,755,000	189,250	1,944,250	4,166,638
2025	4,220,925	2,020,800	1,800,000	136,600	1,936,600	4,136,725
2026	4,179,300	2,004,600	1,830,000	82,600	1,912,600	4,087,300
2027	4,121,269	1,716,200	1,580,000	46,000	1,626,000	4,031,069
2028	3,633,219	816,400	720,000	14,400	734,400	3,551,219
2029	3,466,356	-	-	-	-	3,466,356
2030	3,335,913	-	-	-	-	3,335,913
2031	3,225,000	-	-	-	-	3,225,000
2032	2,639,350	-	-	-	-	2,639,350
2033	2,033,794	-	-	-	-	2,033,794
Total	$ 56,021,861	$ 11,915,544	$ 9,575,000	$ 1,438,796	$ 11,013,796	$ 55,120,114

(a) Excludes the March 1, 2019 debt service payment of $779,309.

Maximum Annual Debt Service Requirement (2020)..$4,306,452
Average Annual Debt Service Requirements (2020-2033)..$3,694,295

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from August 1, 2019, which interest is payable on each March 1 and September 1 commencing March 1, 2020 (seven months of interest), until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years, and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds will be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date (the "Record Date") to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Authority for Issuance

At a bond election held within the District on May 5, 2001, the voters of the District authorized the issuance of unlimited tax refunding bonds in an amount not in excess of one and one-half times ($132,000,000 principal amount) the amount of bonds authorized for water, sewer and drainage purposes ($88,000,000 principal amount). The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, Chapter 1207 of the Texas Government Code, City of Houston Ordinance No. 97-416, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Source and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Order to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

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

Funds

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

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2026 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, National Association as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owners as shown on the Bond register kept by the Paying Agent/Registrar ("Registered Owners") on the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Registration

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of $88,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, sewer and drainage facilities and the District currently has $25,520,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities authorized but unissued. The District's voters have also authorized the issuance of $132,000,000 principal amount of unlimited tax bonds for refunding purposes and after the issuance of the Bonds, the District will have $129,629,671 principal amount of unlimited tax refunding bonds authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has prepared and adopted a detailed park plan and the voters of the District have authorized the issuance of $8,000,000 principal amount of unlimited tax bonds for construction of parks and recreational facilities and could authorize additional amounts in the future. The District has issued $5,315,000 principal amount of unlimited tax park bonds and currently has $2,685,000 principal amount of unlimited tax park bonds authorized but unissued. If the District issues additional park bonds, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue such bonds, the District would be required to obtain authorization from the District's voters to issue such bonds and approval of the bonds by the Attorney General of Texas. The District has not considered calling such an election at this time.

Pursuant to Chapter 51 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount that may ultimately be issued by the District. The issuance of additional bonds and levy of taxes in connection therewith may dilute the security for the Bonds.

Annexation

The District lies within the extraterritorial jurisdiction of the City of Houston (the "City"). Generally under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

Strategic Partnership

The District has entered into a Strategic Partnership Agreement ("SPA") with the City of Houston (the "City") dated July 11, 2006, whereby the tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City's Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sale and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business from the City imposed Sales and Use Tax will be paid to the District, and the District can use the sales tax revenue to (1) accelerate the development of water, wastewater and drainage system in the District, (2) accelerate reimbursement to developers for eligible infrastructure development, (3) lower the overall property tax rate to encourage additional development, and (4) perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial limitations. The sales tax revenue is not pledged to the payment of the Bonds.

The Sales and Use Tax was implemented within the annexed areas on September 1, 2006. The Comptroller of Public Accounts of the State of Texas remits the sales revenues to the City and the City then disburses to the District its share of the tax revenues. See "WATER AND SEWER OPERATIONS—Waterworks and Sewer System Operating Statement."

Neither the District nor any owner of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

Under the SPA, the City has agreed that it will not annex all or part of the District for full purposes for a period of thirty years (through July 11, 2036).

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly, to pay the principal of and interest on the Bonds.

Consolidation

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

No Arbitrage

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which 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 Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a trust company or commercial bank named in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment, and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such 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 such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

THE DISTRICT

General

The District is a water control and improvement district created by order of the Texas Water Rights Commission, predecessor to the Commission, dated June 16, 1966, and operates under the provisions of Chapters 49 and 51 of the Texas Water Code and other general statutes applicable to water control and improvement districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston, Texas ("Houston" or the "City").

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

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire-fighting, parks and recreational facilities, roads and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City for construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

The District presently contains approximately 1,184 acres of land and is located approximately 13 miles northeast of downtown Houston and approximately two miles east of the intersection of US Highway 59 and North Sam Houston Parkway ("Beltway 8").

Status of Development

Land within the District has been developed as the master planned community of Fall Creek. The District provides water, sanitary sewer and drainage facilities to serve Fall Creek, Sections 1 through 11, Sections 14 through 31 and Section 34 located within the District (approximately 612 acres of land developed into 2,006 single-family residential lots and approximately 13 acres of land developed into 68 single-family townhome lots). Construction of underground utilities and street paving is complete in all residential sections. As of June 8, 2019, the District contained 2,033 active single-family connections, 11 inactive single- family home connections, 5 builder connections, and approximately 25 vacant developed lots available for homebuilding. After construction of homes on such vacant lots, single-family residential development in the District will be built out. According to the 2018 tax rolls of the District, the average taxable house value in the District is approximately $350,000.

In addition to the single-family development described above, approximately 112 acres have been developed for commercial and multi-family purposes. Multi-family development in the District consists of two apartment projects: Sierra at Fall Creek (252 units, 95% occupied) and Cascade at Fall Creek (514 units, 94% occupied). The apartment complex formerly known as the Chalet at Fall Creek is now marketed as part of the Cascade at Fall Creek. The Stonegrove at Fall Creek Apartments (322 units) are under construction and nearing completion. Leasing commenced in February 2019. Commercial development in the District consists of a Kelsey Seybold Medical Clinic, an assisted living facility, a Los Cucos Mexican Restaurant, a CVS pharmacy, a Walgreen's pharmacy, a Chase Bank, a Chili's Restaurant, three daycare centers, a 13,000 square foot shopping center, a 100,000 square foot shopping center, a 28,000 square foot shopping center, and a 40,000 square foot shopping center. A Humble Independent School District elementary school is located on approximately 14 acres of land in the District. The District presently contains approximately 44 acres planned for commercial development which are served by underground water, sanitary sewer and drainage trunk facilities.

Approximately 192 acres of land are used for drainage easements, rights-of-way, open space, a fire station, and a water plant site, approximately 10 acres are used for recreational facilities (including a competition sized swimming pool with water slides and other appurtenances, and four tennis courts), approximately 95 acres are District park facilities including several baseball fields, soccer fields, volleyball court, playground, concession and restroom building, picnic pavilion and parking lots and approximately 66 acres are open space and golf course property areas, including a 40,000 square foot office building and 32,000 square foot clubhouse for the Golf Club of Houston (formerly the Redstone Golf Club), and 26 acres of undeveloped land owned by Escalante Golf, Inc. The two 18-hole golf courses, which are part of the Golf Club of Houston, are not located within the boundaries of the District.

Fall Creek Management District

Fall Creek Management District (the "Management District") was created by an act of the Texas Legislature in 2007 as a special district under Section 59, Article XVI of the Texas Constitution to provide economic development projects and services to the area of Fall Creek planned primarily, among other purposes, for commercial or multi-family development. The Management District is governed by a Board consisting of seven directors appointed by the City of Houston and serving staggered four year terms. At an election on May 12, 2012, voters within the Management District authorized the Management District to levy a maintenance tax and to issue bonds payable from ad valorem taxes to finance its projects and services. To date, the Management District has issued $3,580,000 principal amount of bonds. The Management District levied a tax of $0.16 per $100 of taxable assessed valuation in 2018.

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within four miles of the District along areas adjacent to F.M. 1960, Atascocita Road and U.S. Highway 59. Fire protection for the District is provided by the Atascocita Volunteer Fire Department which operates two area fire stations. Additional fire protection is provided by other area volunteer fire departments and the City of Humble pursuant to mutual aid agreements. Medical care for District residents is available from the Northeast Medical Center Hospital in the City of Humble, approximately four and one-half miles north of the District. Numerous other medical facilities are located in the Houston Metropolitan area. The land within the District is located within the boundaries of Humble Independent School District, and children within the District attend an Humble Independent School District elementary school located within the District and a junior high and high school located within five miles of the development in the District.

MANAGEMENT

Board of Directors

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

Name	Title	Term Expires
Lonnie Jackson	President	May 2022
Brett J. Sileo	Vice President	May 2020
Benjamin Bates	Secretary	May 2020
Amber Hurd	Assistant Secretary	May 2022
Linda Ihns	Assistant Secretary	May 2022

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

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Bob Leared Interests is currently serving in this capacity for the District.

System Operator

The District contracts with Si Environmental, LLC, for maintenance and operation of the District's System.

Bookkeeper

The District has engaged L&S Bookkeeping to serve as the District's bookkeeper (the "Bookkeeper").

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is BGE, Inc. (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's financial statements for the fiscal year ending July 31, 2018, have been audited by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements.

Attorney

The District engages Sanford Kuhl Hagan Kugle Parker Kahn LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

LANDOWNERS

Fall Creek Development Partners, L.P.

The principal developer of land within the District is Fall Creek Development Partners, L.P., a Texas limited partnership ("FCDP"), the sole general partner of which is El Dorado Tract GP, Inc., a Texas corporation. Several Texas limited partnerships (collectively, the "Fall Creek Investor Partnerships") affiliated with and controlled by El Dorado Tract GP, Inc., own the remaining developable commercial land within the District. All of such acreage is served with water, sanitary sewer and drainage trunk facilities.

Escalante Golf, Inc.

Escalante Golf, Inc. purchased the Golf Club of Houston in April 2013 and owns approximately 26 acres of undeveloped land in the District. All of such acreage is served with water, sanitary sewer and drainage trunk facilities.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City, Harris County and, in some instances, the Commission. Harris County and the City also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance.

Water, Sanitary Sewer and Drainage Supply

Source of Water Supply: The District receives potable water from the City pursuant to a Water Supply Contract between the City and the District dated May 17, 2001. The District's water distribution system receives potable water from the Houston Area Water Corporation's Northeast Water Purification Plant. In order to support the projected build out of the District, the District has constructed a repressurization plant ("Water Plant No. 1"). Water Plant No. 1 includes 1,250,000 gallons of ground storage tank capacity, 65,000 gallons of pressure tank capacity, one 1,500 gallon per minute water well, 5,900 gpm of booster pump capacity and emergency power capability. According to the Engineer, the City's water supply facilities are adequate to support the existing development and any future remaining commercial development based upon current land plans. In addition, the District has paid for two connections to the Houston Area Water Corporation 84-inch water transmission line located partially within the boundaries of the District and both connections are currently operable. In 2018, the District built the 1,500 gallon per minute water well to provide supplemental water supply to the District. It is estimated the new well will provide less than 20% of the District's water capacity needs or 80 million gallons per year, whichever is less. The District has a Water Supply Agreement with Harris County Municipal Utility District No. 49 for the supply of potable and irrigation water to the District's park facilities. The District also has an emergency water supply interconnect with Harris County Municipal Utility District No. 400.

Subsidence District Requirements: The City is within the boundaries of the Harris-Galveston Coastal Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District adopted a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Plan, the City, either individually or as a part of a group was required to prepare a groundwater reduction plan certified by the Subsidence District and limit groundwater withdrawals. Disincentive fees will be imposed under the Plan if the applicant's groundwater withdrawal exceeds 70% of the applicant's total annual water demand beginning in 2010, exceeds 40% of the applicant's total annual water demand beginning in 2025, and exceeds 20% of the applicant's total annual water demand beginning in 2035. Pursuant to the terms of the Water Supply Contract, the City has included the District in its Groundwater Reduction Plan. If the City fails to comply with the Subsidence District regulations, the City may be required to pay the disincentive fees adopted by the Subsidence District and may pass on a portion of such fees to the District.

Source of Wastewater Treatment: Pursuant to a Wastewater Treatment Contract (the "Contract") between the City and the District dated July 6, 2001, permanent wastewater treatment for the District is being provided by the City's North Belt Wastewater Treatment Plant. The District owns sufficient capacity to serve existing development and any future remaining commercial development based upon current land plans. The District has the right to purchase additional capacity if needed as the Contract does not specify capacity limitations. Lift Stations Nos. 1 and 3 and force mains convey the District's wastewater to the treatment plant. Four other lift stations, a system of gravity lines and force mains will collect and convey the internal wastewater to the primary lift stations.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the l00-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 not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District has 41 lots within Fall Creek, Section 20 which were within the 100-year flood plain. All of these lots were filled so that the house building pad is above the 100-year flood plain. Twenty-eight (28) of such lots have been removed from the 100-year flood plain by way of a Letter of Map Revision based on fill (LOMR-F), which was approved by FEMA on August 10, 2010. The remaining lots were not removed from the 100-year flood plain since the rear portion remained lower than the 100-year flood plain.

PARK SYSTEM

Proceeds of the Series 2010 Park Bonds were used to acquire approximately 95 acres for a park and make improvements to that land. Park improvements included two (2) little league baseball fields, two (2) soccer fields, volleyball court, playground, concession and restroom building, pavilion and two (2) parking lots (the "Park Facilities").

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
05/05/2001	Water, Sanitary Sewer and Drainage	$88,000,000	$58,480,000	$29,520,000
05/05/2001	Refunding	$132,000,000	$2,370,329*	$129,629,671
11/06/2007	Park and Recreational Facilities	$8,000,000	$5,315,000	$2,685,000

* Includes the Bonds, which are the eighth series from such authorization.

FINANCIAL STATEMENT

2018 Certified Taxable Assessed Valuation	$902,898,001	(a)
2019 Preliminary Taxable Assessed Valuation	$984,063,250	(b)
District Debt:		
The Outstanding Bonds	$44,575,000	
Less: Refunded Bonds	(9,435,000)	(c)
Plus: The Bonds	9,575,000	(c)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	$44,715,000	(c)

Ratios of Gross Direct Debt to:

2018 Certified Taxable Assessed Valuation	4.95%
2019 Preliminary Taxable Assessed Valuation	4.54%

Area of District—1,184 acres
Estimated 2019 Population – 8,651 (d)

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

(b) Provided by the Appraisal District as a preliminary indication of the 2019 taxable value (as of January 1, 2019). Such amount is subject to review and downward adjustment prior to certification. Such amount includes the 2019 preliminary real property value in the amount of $967,213,453 and the 2018 certified personal property value in the District in the amount of $16,849,797. No tax will be levied on such amount until it is certified in the fall of 2019. See "TAX PROCEDURES."

(c) See "Outstanding Bonds" herein.

(d) Based on 3.5 persons per active single family connection and 2 persons per apartment unit.

Cash and Investment Balances as of July 2, 2019

Capital Projects Fund	Cash and Investments	$3,655,318	
Park Capital Projects Fund	Cash and Investments	$206,373	
Debt Service Fund	Cash and Investments	$7,076,902	(a)
General Fund	Cash and Investments	$10,173,599	(b)

(a) The District will contribute $159,000 from available debt service funds towards the purpose for which the Bonds are being issued. Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

(b) Above fund balance includes park operating funds in the amount of $46,310.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Outstanding Bonds

The District has issued nine series of unlimited tax bonds, one series of unlimited tax park bonds, one series of unlimited tax park refunding bonds and six series of unlimited tax refunding bonds, of which $44,575,000 principal amount remains outstanding (the "Outstanding Bonds") as of June 1, 2019. The following table lists the original principal amount of the Outstanding Bonds, the currently outstanding principal amount, the principal amount of the Refunded Bonds and the principal amount of Remaining Outstanding Bonds for each such series for which bonds are currently outstanding.

Series		Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2008		$ 8,160,000	$ 1,525,000	$ -	$ 1,525,000
2009		5,550,000	600,000	-	600,000
2010	(a)	5,315,000	250,000	-	250,000
2011	(b)	4,775,000	2,745,000	1,805,000	940,000
2012	(b)	9,305,000	7,620,000	3,730,000	3,890,000
2013	(b)	8,310,000	5,460,000	3,900,000	1,560,000
2014		6,430,000	5,030,000	-	5,030,000
2014	(b)	3,370,000	3,160,000	-	3,160,000
2015	(b)	5,245,000	4,985,000	-	4,985,000
2016		4,000,000	3,500,000	-	3,500,000
2016	(b)	5,355,000	5,315,000	-	5,315,000
2019	(c)	4,385,000	4,385,000	-	4,385,000
Total		$ 70,200,000	$ 44,575,000	$ 9,435,000	$ 35,140,000
The Bonds					9,575,000
The Bonds and Remaining Outstanding Bonds					$ 44,715,000

(a) Unlimited tax park bonds.
(b) Unlimited tax refunding bonds.
(c) Unlimited tax park refunding bonds.

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 information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds		As of	Overlapping Percent	Overlapping Amount
Harris County…………………………………………	$ 2,050,758,022		1/31/2019	0.16%	$ 3,281,213
Harris County Flood Control District………………..	83,075,000		1/31/2019	0.16%	132,920
Harris County Hospital District………………...…...	57,300,000		1/31/2019	0.16%	91,680
Harris County Department of Education……………..	6,320,000		1/31/2019	0.16%	10,112
Port of Houston Authority……………………………	593,754,397		1/31/2019	0.16%	950,007
Humble Independent School District…………………	657,320,000		1/31/2019	5.06%	33,260,392
Lone Star College District……………………………..	609,845,000		1/31/2019	0.42%	2,561,349
Fall Creek Management District………………………	3,580,000		1/31/2019	100.00%	3,580,000
Total Estimated Overlapping Debt……………………					$ 43,867,673
The District……………………………………………..	44,715,000	(a)	Current	100.00%	44,715,000
Total Direct and Estimated Overlapping Debt…………					$ 88,582,673
Ratio of Estimated Direct and Overlapping Debt to 2018 Taxable Assessed Valuation…………					9.81%
Ratio of Estimated Direct and Overlapping Debt to 2019 Preliminary Taxable Assessed Valuation…………					9.00%

Overlapping Taxes for 2018

	2018 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority	$ 0.63517
Humble Independent School District	1.52000
Harris County ESD No. 1 (Ambulance)	0.10000
Harris County ESD No. 10 (Fire)	0.10000
Lone Star College System	0.10780
Fall Creek Management District (a)	0.16000
Total Overlapping Tax Rate	$ 2.62297
The District (b)	0.84000
Total Tax Rate	$ 3.46297

(a) See "THE DISTRICT—Fall Creek Management District."
(b) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2019 (a) Amount	Percent
2014	$ 732,932,354	$ 0.89	$ 6,522,568	$ 6,513,363	99.86%
2015	827,474,708	0.86	7,116,282	7,103,993	99.83%
2016	858,257,811	0.84	7,209,366	7,195,549	99.81%
2017	876,097,473	0.84	7,359,219	7,346,807	99.83%
2018	902,864,460	0.84	7,584,061	7,467,573	98.46%

(a) Unaudited.

Taxes are due October 1 and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$ 0.475	$ 0.490	$ 0.500	$ 0.520	$ 0.560
Maintenance and Operations	0.365	0.350	0.340	0.340	0.330
Total	$ 0.840	$ 0.840	$ 0.840	$ 0.860	$ 0.890

Tax Rate Limitations

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance and Operations:	$1.50 per $100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2018 in the amount of $0.475 per $100 assessed valuation.

Maintenance 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. For the 2018 tax year, the Board levied a maintenance tax in the amount of $0.365 per $100 of taxable 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.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For tax year 2018, the District adopted a $15,000 exemption for persons who are disabled or are 65 years of age or older.

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 July 1 of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the 2018 Certified Taxable Assessed Valuation of $902,898,001, which represents certified ownership as of January 1, 2018. Differences in totals may vary slightly from other information herein due to differences in dates of data. A principal taxpayer list related to the 2019 Preliminary Taxable Assessed Valuation is not available.

Taxpayer	Type of Property	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
Mid America Apartments LP	Apartments	$ 45,796,877	5.07%
Sierra at Fall Creek Apartments	Apartments	26,766,400	2.96%
Fall Creek Plaza LLP	Strip Shopping Center	14,159,412	1.57%
PS LPT Properties Investors	Storage Facility	10,291,844	1.14%
Health Care REIT Inc.	Medical Office	8,756,486	0.97%
Clearlake Healthcare Realty LLC	Personal Property	8,709,004	0.96%
Spirit SPE Portfolio 2012-5 LLC	Day Care Center	6,389,811	0.71%
Fall Creek Plaza 2 LP	Strip Shopping Center	6,379,876	0.71%
SLS Properties	Strip Shopping Center	5,341,300	0.59%
Fall Creek Investors No. 5	Land	5,173,988	0.57%
Total		$ 137,764,998	15.26%

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2016 through 2018 Certified Taxable Assessed Valuations. Differences in totals may vary slightly from other information herein due to differences in dates of data. A breakdown of the 2019 Preliminary Taxable Assessed Valuation is not available.

	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	$ 169,656,145	$ 166,591,026	$ 162,076,843
Improvements	748,848,778	724,818,465	715,557,133
Personal Property	18,510,248	17,682,907	19,035,236
Exemptions	(34,117,170)	(33,009,925)	(38,411,401)
Total	$ 902,898,001	$ 876,082,473	$ 858,257,811

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2018 Certified Taxable Assessed Valuation of $902,898,001 and the 2019 Preliminary Taxable Assessed Valuation of $984,063,250, which is subject to review and downward adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2020-2033) $3,694,295
$0.44 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections................ $3,774,114
$0.40 Tax Rate on 2019 Preliminary Taxable Assessed Valuation at 95% collections........... $3,739,440

Maximum Annual Debt Service Requirement (2020).. $4,306,452
$0.51 Tax Rate on 2018 Certified Taxable Assessed Valuation at 95% collections................ $4,374,541
$0.47 Tax Rate on 2019 Preliminary Taxable Assessed Valuation at 95% collections........... $4,393,842

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA—Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

Veterans Exemptions: The District must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran's or surviving spouse's residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran's disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

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 by each Participant may be considered each year, but must be adopted by May 1.

Additional Homestead Exemptions: The District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

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

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 formally 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 upon one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2018, no acres of land within the District were designated for agricultural use, open space or timberland.

Tax Abatement

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

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 February 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 twenty percent (20%) penalty for collection costs of 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. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

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, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. 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 "Low Tax Rate Districts." 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 are classified herein as "Other 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.

Low Tax Rate Districts

Low Tax Rate Districts 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 a rollback 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 Low Tax Rate District 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 a rollback 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other 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 a rollback election is called and passes, the total tax rate for Other 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 Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, 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 rollback election calculation.

<u>District's Rights in the Event of Tax Delinquencies</u>

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA—Overlapping Taxes for 2018"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 proceeding which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General."

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended July 31, 2015 through July 31, 2018 and for the period ended May 31, 2019 from the District's Bookkeeper. Reference is made to these statements for further and complete information.

	8/1/2018 to 5/31/2019 (a) (unaudited)	Fiscal Year Ended July 31 2018	2017	2016	2015
Revenues					
Property Taxes	$ 3,222,458	$ 3,081,916	$ 2,888,041	$ 2,837,069	$ 2,429,328
Water Service	1,139,140	1,678,834	1,515,588	1,409,681	1,144,222
Wastewater Service	638,926	809,092	812,879	799,002	707,214
Sales Tax Receipts	56,630	99,448	95,551	97,856	96,774
Penalty and Interest	27,135	25,667	30,099	28,710	34,262
Tap Connection and Inspection Fees	90,584	137,875	81,433	132,397	59,346
Investment Revenues	162,558	92,758	24,126	10,375	6,635
Miscellaneous	61,374	54,054	51,023	47,686	49,093
Total Revenues	$ 5,398,805	$ 5,979,644	$ 5,498,740	$ 5,362,776	$ 4,526,874
Expenditures					
Professional Fees	$ 199,825	$ 202,763	$ 215,392	$ 224,100	$ 207,533
Contracted Services	961,264	894,860	877,226	885,880	710,372
Purchased Water Service	771,027	1,409,568	1,361,419	1,455,669	1,087,314
Purchased Wastewater Service	266,582	511,640	500,122	532,295	421,225
Utilities	87,422	104,438	108,065	110,721	112,197
Repairs and Maintenance	560,498	681,597	589,087	582,163	681,824
Other	79,111	183,485	147,593	149,749	195,457
Capital Outlay	99,258	1,684,946	765,725	812,265	138,608
Total Expenditures	$ 3,024,987	$ 5,673,297	$ 4,564,629	$ 4,752,842	$ 3,554,530
Revenues Over (Under) Expenditures	$ 2,373,818	$ 306,347	$ 934,111	$ 609,934	$ 972,344
Other Sources (Interfund Transfer)	$ -	$ -	$ 2,930,038 (b)	$ (1,061)	$ (30,680)
Fund Balance (Beginning of Year)	$ 8,336,398	$ 8,030,051	$ 4,165,902	$ 3,557,029	$ 2,615,365
Fund Balance (End of Year)	$ 10,710,216	$ 8,336,398	$ 8,030,051	$ 4,165,902	$ 3,557,029

(a) Unaudited. Provided by the District's Bookkeeper.
(b) Transfer from Capital Project Fund for construction related costs.

INVESTMENT CONSIDERATIONS

General

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

Recent Tropical Weather Events; Hurricane Harvey

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

The Houston area, including Harris County, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, the District did not receive any reports of homes within the District that experienced flooding or other material damage as a result of Hurricane Harvey. In addition, to the knowledge of the District, no commercial improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See "THE SYSTEM." The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAX PROCEDURES—Valuation of Property for Taxation."

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 13 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development plans in the District and restrain or reduce the growth of the District's property tax base.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2018 Certified Taxable Assessed Valuation of the District is $902,898,001. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be $4,306,452 (2020) and the average annual debt service requirement will be $3,694,295 (2020-2033). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.51 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $4,306,452 and a tax rate of $0.44 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $3,694,295. See "DEBT SERVICE REQUIREMENTS." The 2019 Preliminary Taxable Assessed Valuation is $984,063,250 which reduces the above calculations to $0.47 and $0.40, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2018 Certified Taxable Assessed Valuation and 2019 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Order the right to issue the remaining $25,520,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, $2,685,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and $129,629,671 principal amount of unlimited bonds for refunding purposes which have been authorized at elections held within the District and such additional bonds as may be voted hereafter.

The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or parks and recreational facilities must be approved by the Commission.

Environmental and Air Quality 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 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, 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, 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 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 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. 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) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and 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.

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 nation-wide 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 will take comment on the proposal for 60 days after publication in the Federal Register. 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.

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

Tax Collection Limitations

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

Registered Owners Remedies and Bankruptcy Limitations

The enforceability of the rights and remedies of Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A municipal utility district cannot be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

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. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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

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

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

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 legal 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 interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under the caption “THE DISTRICT—General,” “PLAN OF FINANCING– Escrow Agreement and Defeasance of Refunded Bonds,” “THE BONDS,” “TAX PROCEDURES,” “LEGAL MATTERS—Legal Proceedings,” “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 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.

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 to the initial purchaser of the Bonds (the “Initial Purchaser”) a certificate, dated as 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 attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Qualified Tax-Exempt Obligations for Financial Institutions

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. S&P has also assigned an underlying credit rating of "A" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from S&P.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $513.9 million, $105 million and $408.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $9,716,042.69 (representing the par amount of the Bonds of $9,575,000.00, plus a net premium on the Bonds of $211,712.90, less an Underwriter's discount of $70,670.21) plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

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

Prices and Marketability

The 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 guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 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 Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Houston Ordinance No. 97-416.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

> "THE DISTRICT"—BGE, Inc. ("Engineer"), and Records of the District ("Records"); "LANDOWNERS"—FCDP; "THE SYSTEM" —Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" —Records; "FINANCIAL STATEMENT" —Harris County Appraisal District and Bob Leared Interests, Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT"—Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" — Bob Leared Interests; "MANAGEMENT" —District Directors; "DEBT SERVICE REQUIREMENTS" —Financial Advisor; "PLAN OF FINANCING—Defeasance of Refunded Bonds," "THE BONDS," "THE DISTRICT—General," "TAX PROCEDURES," "LEGAL MATTERS" and "TAX MATTERS-Orrick, Herrington & Sutcliffe LLP .

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, if applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

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

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

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

Auditor: The District's financial statements for the fiscal year ending July 31, 2018, have been audited by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2018 audited financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by L&S Bookkeeping and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of Utility Districts.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in SEC Rule 15c(2)-12(f)(2)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification of Official Statement

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. 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 "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in Appendix A (Audited Financial Statements). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2019.

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

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

Event Notices

The District will provide timely notices of certain events to the MRSB, 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect bondholders, 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, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can 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 the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. 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 reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with the Rule, except possibly as follows:

Assured Guaranty Corporation ("AGC") insures certain bonds of the District. On March 18, 2014, S&P upgraded the rating of AGC to "AA." On August 15, 2014, the District filed a notice of such rating upgrade. Additionally, on April 2, 2015 S&P upgraded its rating of Radian Asset Assurance, Inc. ("Radian Asset") (which merged with AGC on April 1, 2015), the insurer of the District's Series 2006 Bonds, to "AA". On February 27, 2019, the District filed a notice of such rating upgrade and has established procedures to monitor and timely report rating changes in the future.

On April 14, 2015, the District defeased $2,175,000 of the District's $5,500,000 Unlimited Tax Bonds, Series 2009. On March 4, 2016, the District filed notice of such defeasance and has established procedures to timely report such defeasances in the future.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Water Control and Improvement District No. 96, as of the date shown on the cover page.

/s/ Lonnie Jackson
President, Board of Directors

ATTEST:

/s/ Benjamin Bates
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended July 31, 2018

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control and
Improvement District No. 96
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 96 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Harris County Water Control and
Improvement District No. 96

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 6, 2018

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018

Management's discussion and analysis of Harris County Water Control and Improvement District No. 96's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $16,862,187 as of July 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (e.g. land and land improvements, construction in progress, building and park improvements and water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 21,312,098	$ 22,362,080	$ (1,049,982)
Capital Assets (Net of Accumulated Depreciation)	44,691,558	43,183,052	1,508,506
Total Assets	$ 66,003,656	$ 65,545,132	$ 458,524
Deferred Outflows of Resources	$ 816,270	$ 879,698	$ (63,428)
Long -Term Liabilities	$ 45,210,606	$ 48,073,751	$ 2,863,145
Other Liabilities	4,747,133	4,686,286	(60,847)
Total Liabilities	$ 49,957,739	$ 52,760,037	$ 2,802,298
Net Position:			
Net Investment in Capital Assets	$ 1,494,237	$ (1,433,760)	$ 2,927,997
Restricted	6,884,951	7,002,975	(118,024)
Unrestricted	8,482,999	8,095,578	387,421
Total Net Position	$ 16,862,187	$ 13,664,793	$ 3,197,394

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017. The District's net position increased by $3,197,394 during the current fiscal year, accounting for a 23.4% increase in net position.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 7,355,351	$ 7,171,873	$ 183,478
Charges for Services	2,809,294	2,600,233	209,061
Other Revenues	240,987	115,129	125,858
Total Revenues	$ 10,405,632	$ 9,887,235	$ 518,397
Expenses for Services	7,208,238	7,036,178	(172,060)
Change in Net Position	3,197,394	2,851,057	346,337
Net Position, Beginning of Year	13,664,793	10,813,736	2,851,057
Net Position, End of Year	$ 16,862,187	$ 13,664,793	$ 3,197,394

The District's combined fund balances as of July 31, 2018, were $19,741,598, a decrease of $1,042,163 from the prior year.

The General Fund fund balance increased by $306,347, due to service revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by $99,320, primarily due to the structure of the District's outstanding debt service.

The Capital Projects Fund fund balance decreased by $1,249,190. This decrease was mainly related to capital outlay incurred during the year for erosion repairs to Phase 2 of the P133 channel.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $342,144 more than budgeted mainly due to higher than anticipated property tax revenues, investment earnings and tap connection and inspection fees. Actual expenditures were $1,359,429 more than budgeted mainly due to higher than budgeted capital outlay.

CAPITAL ASSETS

The District's capital assets as of July 31, 2018, amounted to $44,691,558 (net of accumulated depreciation). These capital assets include land and improvements, construction in progress, building and park improvements, as well as the water, wastewater and drainage systems, and water and wastewater impact fees.

Some of the significant capital asset additions during the current fiscal year include:

- P133 Erosion Repairs
- P166 Slope Repair
- Soil Stabilization Project
- Camera System for Fall Creek Sports Park Facility
- Bottle Refilling Station

Construction in progress at July 31, 2018 included:

- Reclaimed Water System
- Lift Station No. 5
- Water Well No. 1
- Water Plant Water Well and Hydrotank

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,769,173	$ 1,769,173	$
Construction in Progress	2,312,492	811,944	1,500,548
Capital Assets, Net of Accumulated Depreciation:			
Building and Park Improvements	2,578,125	2,759,663	(181,538)
Water System	6,751,310	7,030,235	(278,925)
Wastewater System	7,251,477	7,501,685	(250,208)
Drainage System	22,433,717	21,653,365	780,352
Impact Fees-Water	7,391	7,712	(321)
Impact Fees-Wastewater	1,587,873	1,649,275	(61,402)
Total Net Capital Assets	$ 44,691,558	$ 43,183,052	$ 1,508,506

Additional information on the District's capital assets can be found in Note 7 of this report.

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of $47,195,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	$ 49,980,000
Less: Bond Principal Paid	2,785,000
Bond Debt Payable, July 31, 2018	$ 47,195,000

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The Series 2008, 2009, 2010, 2011 Refunding, 2012 Refunding, 2015 Refunding, and 2016 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty. The Series 2013 Refunding, Series 2014 and Series 2016 bonds carry a "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Municipal Assurance Corporation. The ratings above are as of July 31, 2018.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2019 projects an increase of $308,692 in General Fund fund balance. Compared to the fiscal year 2018 budget, revenues are expected to increase by approximately $382,000 and expenditures are expected to increase by approximately $1,397,000. The fiscal year 2019 tax rate has been established at $0.84 on each $100 of taxable value. Approximately 43% of the property tax will be used to fund general operations with the remaining 57% of the property tax set aside for debt service.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Water Control and Improvement District No. 96, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, TX 77056.

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HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JULY 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 1,373,621	$ 977,919
Investments	7,888,563	6,482,952
Receivables:		
Property Taxes	46,660	98,362
Penalty and Interest on Delinquent Taxes		61,911
Service Accounts (Net of Allowance for Doubtful Accounts of $2,000)	184,377	
Accrued Interest	2,531	6,088
Other	37,126	
Due from Other Funds	74,591	
Prepaid Costs		
Capital Assets (Net of Accumulated Depreciation):		
Land and Land Improvements		
Construction in Progress		
Building and Park Improvements		
Water, Wastewater and Drainage Systems		
Impact Fees - Water and Wastewater		
TOTAL ASSETS	$ 9,607,469	$ 7,627,232
DEFERRED OUTFLOW OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,607,469	$ 7,627,232

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 3,282,437	$ 5,633,977	$	$ 5,633,977
769,610	15,141,125		15,141,125
	145,022		145,022
	61,911		61,911
	184,377		184,377
	8,619		8,619
	37,126		37,126
	74,591	(74,591)	
		99,941	99,941
		1,769,173	1,769,173
		2,312,492	2,312,492
		2,578,125	2,578,125
		36,436,504	36,436,504
		1,595,264	1,595,264
$ 4,052,047	$ 21,286,748	$ 44,716,908	$ 66,003,656
$ -0-	$ -0-	$ 816,270	$ 816,270
$ 4,052,047	$ 21,286,748	45,533,178	$ 66,819,926

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

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 752,038	$
Accrued Interest Payable		
Retainage Payable	192,422	
Due to Other Funds		24,559
Due to Taxpayers		39,215
Security Deposits	279,951	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,224,411	$ 63,774
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 46,660	$ 98,362
Penalty and Interest on Delinquent Taxes		61,911
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 46,660	$ 160,273
FUND BALANCES		
Restricted for:		
Authorized Construction	$	$
Debt Service		7,403,185
Committed for Construction	750,879	
Unassigned	7,585,519	
TOTAL FUND BALANCES	$ 8,336,398	$ 7,403,185
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 9,607,469	$ 7,627,232
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 752,038	$	$ 752,038
		678,507	678,507
	192,422		192,422
50,032	74,591	(74,591)	
	39,215		39,215
	279,951		279,951
		2,805,000	2,805,000
		45,210,606	45,210,606
$ 50,032	$ 1,338,217	$ 48,619,522	$ 49,957,739
$	$ 145,022	$ (145,022)	$
	61,911	(61,911)	
$ -0-	$ 206,933	$ (206,933)	$ -0-
$ 4,002,015	$ 4,002,015	$ (4,002,015)	$
	7,403,185	(7,403,185)	
	750,879	(750,879)	
	7,585,519	(7,585,519)	
$ 4,002,015	$ 19,741,598	$ (19,741,598)	$ - 0 -
$ 4,052,047	$ 21,286,748		
		$ 1,494,237	$ 1,494,237
		6,884,951	6,884,951
		8,482,999	8,482,999
		$ 16,862,187	$ 16,862,187

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

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JULY 31, 2018

Total Fund Balances - Governmental Funds		$ 19,741,598
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance is amortized over the term of the bonds.		99,941
Deferred charges on a refunding bond sale is a deferred outflow of resources in the governmental activities.		816,270
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		44,691,558
Deferred inflows of resources related to property taxes and penalty and interest on delinquent taxes for the 2017 and prior tax levies become part of recognized revenue in the governmental activities of the District.		206,933
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (678,507)	
Bonds Payable Within One Year	(2,805,000)	
Bonds Payable After One Year	(45,210,606)	(48,694,113)
Total Net Position - Governmental Activities		$ 16,862,187

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

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HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JULY 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 3,081,916	$ 4,325,677
Water Service	1,678,834	
Wastewater Service	809,092	
Sales Tax Revenues	99,448	
Penalty and Interest	25,667	73,284
Tap Connection and Inspection Fees	137,875	
Investment Revenues	92,758	73,128
Miscellaneous Revenues	54,054	225
TOTAL REVENUES	$ 5,979,644	$ 4,472,314
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 202,763	$ 19,780
Contracted Services	894,860	91,662
Purchased Water Service	1,409,568	
Purchased Wastewater Service	511,640	
Utilities	104,438	
Repairs and Maintenance	681,597	
Depreciation		
Other	183,485	11,217
Capital Outlay	1,684,946	
Debt Service:		
Bond Principal		2,785,000
Bond Interest		1,663,975
TOTAL EXPENDITURES/EXPENSES	$ 5,673,297	$ 4,571,634
NET CHANGE IN FUND BALANCES	$ 306,347	$ (99,320)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2017	8,030,051	7,502,505
FUND BALANCES/NET POSITION - JULY 31, 2018	$ 8,336,398	$ 7,403,185

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 7,407,593	$ (52,242)	$ 7,355,351
	1,678,834		1,678,834
	809,092		809,092
	99,448		99,448
	98,951	(14,906)	84,045
	137,875		137,875
20,822	186,708		186,708
	54,279		54,279
$ 20,822	$ 10,472,780	$ (67,148)	$ 10,405,632
$	$ 222,543	$	$ 222,543
	986,522		986,522
	1,409,568		1,409,568
	511,640		511,640
	104,438		104,438
	681,597		681,597
		1,438,484	1,438,484
599	195,301	7,369	202,670
1,269,413	2,954,359	(2,954,359)	
	2,785,000	(2,785,000)	
	1,663,975	(13,199)	1,650,776
$ 1,270,012	$ 11,514,943	$ (4,306,705)	$ 7,208,238
$ (1,249,190)	$ (1,042,163)	$ 1,042,163	$
		3,197,394	3,197,394
5,251,205	20,783,761	(7,118,968)	13,664,793
$ 4,002,015	$ 19,741,598	$ (2,879,411)	$ 16,862,187

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

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JULY 31, 2018

Net Change in Fund Balances - Governmental Funds	$ (1,042,163)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(52,242)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(14,906)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,438,484)
Governmental funds report capital outlays as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,954,359
Governmental funds report bond insurance as expenditures and bond discounts and bond premiums as other financing sources (uses) in the year paid. However, in the Statement of Net Position, the bond insurance, deferred charges on refunding bonds, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(16,378)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,785,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	29,577
The net book value of assets disposed of is recognized as an expense in the Statement of Activities.	(7,369)
Change in Net Position - Governmental Activities	$ 3,197,394

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

NOTE 1. CREATION OF DISTRICT

Harris County Water Control and Improvement District No. 96 of Harris County, Texas (the "District") was created effective June 16, 1966 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting in 1966. The first bonds were sold on January 16, 2003.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

<u>Financial Statement Presentation</u>

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

General Fund - To account for financial resources used for general operations that are not required to be accounted for in another fund, including customer service revenues, costs and general expenditures. It is a budgeted fund, and any unassigned fund balance is considered available for current operations.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2018, the District's Debt Service Fund owed the General Fund $24,559 for maintenance tax collections and the Capital Projects Fund owed the General Fund $50,032 for construction related costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method, a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At July 31, 2018, the District had an allowance for doubtful accounts of $2,000.

Capital Assets

Capital assets, which include land and improvements, construction in process, property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs, are capitalized as part of the asset.

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

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

Budgeting

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be "employees" for federal payroll tax purposes only.

Measurement Focus

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

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

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. See Note 15 for explanation of funds committed by the District.

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. The District does not have any assigned funds.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. BONDS PAYABLE

	Series 2008	Series 2009
Amount Outstanding – July 31, 2018	$ 1,675,000	$ 775,000
Interest Rates	4.00% - 4.50%	4.20% - 5.00%
Maturity Date	September 1, 2018/2033	September 1, 2018/2021
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2018*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2008 term bonds maturing on September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

NOTE 3. BONDS PAYABLE (Continued)

	Series 2010	Series 2011 Refunding	Series 2012 Refunding
Amount Outstanding – July 31, 2018	$ 4,575,000	$ 3,035,000	$ 8,330,000
Interest Rates	4.00% - 5.25%	2.50% - 4.00%	2.00% - 4.00%
Maturity Date	September 1, 2018/2033	September 1, 2018/2026	September 1, 2018/2027
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018**	September 1, 2019**	September 1, 2019**

	Series 2013 Refunding	Series 2014	Series 2014 Refunding
Amount Outstanding – July 31, 2018	$ 5,995,000	$ 5,380,000	$ 3,325,000
Interest Rates	2.00% - 4.00%	2.00% - 4.25%	2.00% - 4.00%
Maturity Date	September 1, 2018/2028	September 1, 2018/2033	September 1, 2018/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019**	September 1, 2020**	September 1, 2022**

** Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2010 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively. Series 2014 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

NOTE 3. BONDS PAYABLE (Continued)

	Series 2015 Refunding	Series 2016	Series 2016 Refunding
Amount Outstanding – July 31, 2018	$ 5,020,000	$ 3,750,000	$ 5,335,000
Interest Rates	2.00% - 4.00%	2.00% - 3.00%	2.00% - 4.00%
Maturity Date	September 1, 2018/2033	September 1, 2018/2033	September 1, 2018/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022***	September 1, 2023***	September 1, 2024***

*** Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2016 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

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

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	$ 49,980,000	$	$ (2,785,000)	$ 47,195,000
Unamortized Discounts	(246,903)		35,471	$ (211,432)
Unamortized Premiums	1,125,654		(93,616)	$ 1,032,038
Bonds Payable, net	$ 50,858,751	$ -0-	$ (2,843,145)	$ 48,015,606

Amount Due Within One Year	$ 2,805,000
Amount Due After One Year	45,210,606
Bonds Payable, net	$ 48,015,606

NOTE 3. BONDS PAYABLE (Continued)

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

Fiscal Year	Principal Due	Interest	Total
2019	2,805,000	1,593,551	4,398,551
2020	2,845,000	1,521,071	4,366,071
2021	2,900,000	1,440,385	4,340,385
2022	2,975,000	1,353,101	4,328,101
2023	3,050,000	1,262,513	4,312,513
2024-2028	16,220,000	4,690,570	20,910,570
2029-2033	14,420,000	1,749,723	16,169,723
2034	1,980,000	40,647	2,020,647
	$ 47,195,000	$ 13,651,561	$ 60,846,561

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

In prior years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At July 31, 2018, outstanding bonds of $3,600,000 are considered defeased.

The District has additional authorized but unissued tax bonds totaling $25,520,000, authorized but unissued refunding bonds totaling $129,787,304, and authorized but unissued park bonds totaling $2,685,000.

During the year ended July 31, 2018, the District levied an ad valorem debt service tax at the rate of $0.49 per $100 of assessed valuation, which resulted in a tax levy of $4,316,001 on the adjusted taxable valuation of $880,816,577 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

NOTE 3. BONDS PAYABLE (Continued)

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state the District will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Deferred Charges on Refundings	$ 879,698	$ -0-	$ (63,428)	$ 816,270

NOTE 6. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $7,683,834 and the bank balance was $7,687,475. Of the bank balance, $2,253,415 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third party depository.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 1,373,621	$ 739,857	$ 2,113,478
DEBT SERVICE FUND	977,919	1,310,000	2,287,919
CAPITAL PROJECTS FUND	3,282,437		3,282,437
TOTAL DEPOSITS	$ 5,633,977	$ 2,049,857	$ 7,683,834

NOTE 6. DEPOSITS AND INVESTMENTS

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

NOTE 6. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2018, the District had the following investments and maturities:

		Maturities in Years			
Fund and Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
GENERAL FUND					
TexPool	$ 7,148,706	$ 7,148,706	$	$	$
Certificates of Deposit	739,857	739,857			
DEBT SERVICE FUND					
TexPool	5,172,952	5,172,952			
Certificates of Deposit	1,310,000	1,310,000			
CAPITAL PROJECTS FUND					
TexPool	769,610	769,610			
TOTAL INVESTMENTS	$ 15,141,125	$ 15,141,125	$ - 0 -	$ - 0 -	$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the District's investment in TexPool was rated AAAm by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances that are below FDIC insurance coverage.

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

Restrictions

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

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2018:

	August 1, 2017	Increases	Decreases	July 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,769,173	$	$	$ 1,769,173
Construction in Progress	811,944	2,841,852	1,341,304	2,312,492
Total Capital Assets Not Being Depreciated	$ 2,581,117	$ 2,841,852	$ 1,341,304	$ 4,081,665
Capital Assets Subject to Depreciation				
Building and Park Improvements	$ 3,600,652	$ 16,435	$ 12,446	$ 3,604,641
Water System	9,346,111			9,346,111
Wastewater System	10,393,760			10,393,760
Drainage System	28,753,140	1,437,376		30,190,516
Impact Fees-Water	12,538			12,538
Impact Fees-Wastewater	2,238,782			2,238,782
Total Capital Assets Subject to Depreciation	$ 54,344,983	$ 1,453,811	$ 12,446	$ 55,786,348
Accumulated Depreciation				
Building and Park Improvements	$ 840,989	$ 190,604	$ 5,077	$ 1,026,516
Water System	2,315,876	278,925		2,594,801
Wastewater System	2,892,075	250,208		3,142,283
Drainage System	7,099,775	657,024		7,756,799
Impact Fees-Water	4,826	321		5,147
Impact Fees-Wastewater	589,507	61,402		650,909
Total Accumulated Depreciation	$ 13,743,048	$ 1,438,484	$ 5,077	$ 15,176,455
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 40,601,935	$ 15,327	$ 7,369	$ 40,609,893
Total Capital Assets, Net of Accumulated Depreciation	$ 43,183,052	$ 2,857,179	$ 1,348,673	$ 44,691,558

NOTE 8. MAINTENANCE TAX

On May 5, 2001, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of $0.35 per $100 of assessed valuation, which resulted in a tax levy of $3,082,858 on the taxable valuation of $880,816,577 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Water Supply Contract (the "Supply Contract") with the City of Houston (the "City") on May 17, 2001. Pursuant to the Supply Contract, the District agrees to construct all facilities necessary to enable it to receive water from the City's distribution system. The District's connection to the City's system will be metered. The District will be billed monthly once delivery of the water has commenced. The District's initial minimum quantity was 300,000 gallons per month. Effective January 1, 2015, the minimum monthly quantity was 18,347,000 gallons per month. The District must pay for the minimum monthly quantity whether or not the water is used. The District is entitled to revise its minimum monthly quantity no more than three times during the initial year of the contract term, twice during the second year, and once each year thereafter by providing written notice thereof to the Utility Official of the Department of Public Works and Engineering of the City. After the fourth year any revision resulting in an increase in excess of 10% of the current minimum monthly quantity will not be effective until approved in writing by the Utility Official. The charge for water shall be calculated in accordance with the rates for contract treated water customers that do not receive surface water only. At July 31, 2018, the rate for the minimum monthly quantity was $3.064 per 1,000 gallons. However, if the District exceeds the minimum monthly quantity, surcharges apply. The rates charged by the City may be amended at any time. The agreement shall expire on the fortieth (40^{th}) anniversary of the contract date. During the current fiscal year, the District recorded expenditures of $1,389,400 related to this contract.

NOTE 11. WASTE DISPOSAL CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Waste Disposal Contract with the City ("Waste Contract") on July 9, 2001. Pursuant to the Waste Contract, the District agrees to construct all facilities necessary to enable it to convey its waste to the City's facilities. The District will be billed monthly on the amount of wastewater delivered to the City. The amount of wastewater delivered to the City will be calculated by taking the total of all water the District delivers to its customers as measured by the customer meters, less the amount of water measured by any irrigation meters. The rate charged as of July 31, 2018 for wholesale sewer service is $1.54 per 1,000 gallons for eligible conservation and reclamation districts that have purchased permanent treatment capacity it the City's sewage treatment system. During the current fiscal year, the District recorded expenditures of $ 511,640 related to this contract.

In addition, the District is required to make capital contributions to the City. These capital contributions were initially determined to be $940 for each single-family residential customer receiving sewer treatment service from the District. During a prior fiscal year, this amount increased to $1,105.90, and then increased to $1,199.11. The District's payment of this fee entitles it to the wholesale sewer service charge applicable to users under similar circumstances.

The District's initial capacity must be at least 64 service units. During a prior fiscal year, the District reimbursed the Developer $60,160 for the initial 64 service units. During prior fiscal years, the District purchased an additional 1,216 service units from the City at a cost of $1,226,493 and an additional 644 service units from the City at a cost of $772,237, and an additional 150 service units from the City at a cost of $179,892. The District is entitled to purchase additional capacity from time to time if there is uncommitted capacity available in the City plant and the District files an application with the City for additional capacity. Each purchase of capacity must include wastewater capacity for at least a platted subdivision. Rates for future capacity purchases will be the same rates as the City sets for wastewater impact fees. This term of this contract is forty (40) years.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective July 11, 2006, the District entered into a Strategic Partnership Agreement (the "Agreement") with the City. The Agreement provides that in accordance with Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the "Tract" for limited purposes as outlined in the Agreement. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate cases filed under the most current section of the Fire Code banning fireworks as adopted by City Council, and under state laws as set out in Article 4.14 of the Texas Code of Criminal Procedure, arising from actions occurring within the Tract. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement.

After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within thirty (30) days of the City receiving the funds from the State Controller's office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is thirty (30) years from the effective date of the agreement. During the current fiscal year, the District recorded revenues in the amount of $99,448 related to the Agreement.

NOTE 13. EMERGENCY WATER SUPPLY CONTRACT

On April 24, 2006, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 400 ("District No. 400"). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. The districts will share equally in the construction of the interconnect facilities. The price to be paid for water

NOTE 13. EMERGENCY WATER SUPPLY CONTRACT (Continued)

delivered shall be billed at the then effective City of Houston rate for wholesale treated surface water customers per thousand gallons of average daily usage for the number of days water is received. Average daily usage shall be calculated in accordance with the provisions outlined in the contract. In the event the supplying party purchased all or a portion of the water supplied from an adjoining district, the receiving party shall pay the supplying party for water received at a rate per 1,000 gallons equal to the rate paid by the supplying party for such water in the event that such rate is greater than the City of Houston rate, as noted above. The term of the contract is for forty (40) years.

On April 22, 2010, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 49 ("District No. 49"). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. District No. 49 will install the cutoff valve and locking valve cover at the point of interconnect and will be responsible for all costs of design and construction of such cutoff valve and locking valve cover. Both Districts shall have keys to the lock and shall have right of access to the valve box at all times. The price to be paid for water delivered shall be billed at the actual cost to the supplying party per thousand gallons of average daily usage for the number of days water is received. Average daily usage shall be calculated in accordance with the provisions outlined in the agreement. The term of the contract is for 50 years.

NOTE 14. WATER SUPPLY CONTRACT

On August 25, 2011, the District executed a water supply contract with District No. 49. The contract provides that District will construct a water line to the point of interconnect. District No. 49 will provide water service in an amount sufficient to serve approximately five domestic equivalent single-family connection and 91 equivalent single family connections for irrigation water at 400 gallons per day per connection. The rates charged will be the current rate charged by District No. 49 to in-district commercial and irrigation water users. The term of the contract is through July 31, 2021, but the contract may be extended for additional one-year terms in accordance with the provisions of the contract. The contract may be terminated upon 60 days written notice by the District.

NOTE 15. USE OF SURPLUS FUNDS AND ESCROW REQUIREMENT

On December 17, 2013, the District was directed by an order of the Commission to escrow a total of $2,150,983 in Series 2014 bond proceeds for the non-potable water distribution system project. During fiscal year 2017, the District determined portions of the non-potable water distribution system project were no longer needed and should be released in order to fund the new water well and hydroneumatic tank project. On June 5, 2017, the Commission approved release of these funds from escrow. At July 31, 2018, the amount of Series 2014 bond proceeds required in escrow is $603,787.

On December 3, 2015, the District was directed by an order of the Commission to escrow $500,000 in Series 2016 bond proceeds for lift station no. 5. As of July 31, 2018, this amount remains in escrow.

On June 5, 2017, the Commission approved a change in project scope and approved the use of surplus Capital Projects Fund monies to release $1,547,196 from escrow that was originally designated for non-potable water distribution system, reallocate $1,222,706 of Series 2014 bond proceeds that was originally designated for reclaimed water distribution system and release $130,098 of surplus funds related to Series 2014 bond procceds to fund costs associated with the construction and engineering of the proposed water well and hydropneumatic tank project. As of July 31, 2018, $750,879 of these funds were unspent and are reported as a committed fund balance in the General Fund.

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HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2018

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JULY 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 2,926,300	$ 3,081,916	$ 155,616
Water Service	1,673,000	1,678,834	5,834
Wastewater Service	780,000	809,092	29,092
Sales Tax Revenues	90,000	99,448	9,448
Penalty and Interest	30,000	25,667	(4,333)
Tap Connection and Inspection Fees	77,900	137,875	59,975
Investment Revenues	7,500	92,758	85,258
Miscellaneous Revenues	52,800	54,054	1,254
TOTAL REVENUES	$ 5,637,500	$ 5,979,644	$ 342,144
EXPENDITURES			
Services Operations:			
Professional Fees	$ 196,300	$ 202,763	$ (6,463)
Contracted Services	959,580	894,860	64,720
Purchased Water Service	1,320,000	1,409,568	(89,568)
Purchased Wastewater Service	480,000	511,640	(31,640)
Utilities	112,500	104,438	8,062
Repairs and Maintenance	612,000	681,597	(69,597)
Other	193,488	183,485	10,003
Capital Outlay	440,000	1,684,946	(1,244,946)
TOTAL EXPENDITURES	$ 4,313,868	$ 5,673,297	$ (1,359,429)
NET CHANGE IN FUND BALANCE	$ 1,323,632	$ 306,347	$ (1,017,285)
FUND BALANCE - AUGUST 1, 2017	8,030,051	8,030,051	
FUND BALANCE - JULY 31, 2018	$ 9,353,683	$ 8,336,398	$ (1,017,285)

See accompanying independent auditor's report.

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HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JULY 31, 2018

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018

1. SERVICES PROVIDED BY THE DISTRICT:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 1" METER (OR EQUIVALENT):

Based on the rate order approved May 1, 2018.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 28.75	8,000	N	$ 2.57	8,001 to 14,999
				$ 3.77	15,000 to 20,000
				$ 4.17	20,001 to 25,000
				$ 4.57	25,001 and up
WASTEWATER:	$ 22.28	10,000	N	$ 1.23	10,001 to 15,000
				$ 1.93	15,001 to 20,000
				$ 2.23	20,001 to 25,000
				$ 2.54	25,001 and up
SURCHARGE:	$ -0-				

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $33.89 Wastewater: $22.28 Surcharge: $0.00

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,435	1,425	x 1.0	1,425
1"	735	733	x 2.5	1,833
1½"	18	17	x 5.0	85
2"	68	68	x 8.0	544
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"			x 50.0	
8"	6	6	x 80.0	480
10"			x 115.0	
Total Water Connections	2,264	2,251		4,407
Total Wastewater Connections	2,084	2,072	x 1.0	2,072

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR: (Unaudited)

Gallons purchased: 402,371,000*

Water Accountability Ratio: 96.6%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 388,590,000

*The District purchases its water from the City of Houston, Texas. See Note 10.

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

Does the District have Debt Service standby fees? Yes ___ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018

PROFESSIONAL FEES:		
Auditing	$	18,300
Engineering		51,337
Legal		133,126
TOTAL PROFESSIONAL FEES	$	202,763
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	1,409,568
Purchased Wastewater Service		511,640
TOTAL PURCHASED SERVICES FOR RESALE	$	1,921,208
CONTRACTED SERVICES:		
Bookkeeping	$	18,845
Operations and Billing		113,806
Management Services		69,932
TOTAL CONTRACTED SERVICES	$	202,583
UTILITIES:		
Electricity	$	88,964
Telephone		15,474
TOTAL UTILITIES	$	104,438
REPAIRS AND MAINTENANCE	$	681,597
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	15,750
Dues		3,945
Election Costs		155
Insurance		20,869
Office Supplies and Postage		105
Payroll Taxes		1,784
Travel and Meetings		6,044
Other		73,371
TOTAL ADMINISTRATIVE EXPENDITURES	$	122,023

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018

CAPITAL OUTLAY-		
Capitalized Assets	$	1,684,946
TAP CONNECTIONS	$	9,419
SOLID WASTE DISPOSAL	$	345,722
SECURITY	$	346,555
OTHER EXPENDITURES:		
Chemicals	$	260
Laboratory Fees		3,744
Permit Fees		8,645
Inspection Fees		25,917
Regulatory Assessment		12,307
Other		1,170
TOTAL OTHER EXPENDITURES	$	52,043
TOTAL EXPENDITURES	$	5,673,297

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
INVESTMENTS
JULY 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Certificate of Deposit	XXXX1460	1.15%	09/08/18	$ 245,000	$ 2,516
Certificate of Deposit	XXXX9418	2.00%	01/31/19	247,748	
Certificate of Deposit	XXXX2572	2.20%	01/30/19	247,109	15
TexPool	XXXX0001	Varies	Daily	7,148,706	
TOTAL GENERAL FUND				$ 7,888,563	$ 2,531
DEBT SERVICE FUND					
Certificate of Deposit	XXXX1659	1.00%	08/30/18	$ 245,000	$ 1,041
Certificate of Deposit	XXXX8591	0.80%	08/27/18	245,000	832
Certificate of Deposit	XXXX1543	1.25%	08/27/18	245,000	1,301
Certificate of Deposit	XXXX0541	1.25%	09/05/18	575,000	2,914
TexPool	XXXX0002	Varies	Daily	5,172,952	
TOTAL DEBT SERVICE FUND				$ 6,482,952	$ 6,088
CAPITAL PROJECTS FUND					
TexPool	XXXX0005	Varies	Daily	$ 769,610	$ - 0 -
TOTAL - ALL FUNDS				$ 15,141,125	$ 8,619

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2017	$ 65,527		$ 131,737	
Adjustments to Beginning Balance	(19,809)	$ 45,718	(23,699)	$ 108,038
Original 2017 Tax Levy	$ 2,992,181		$ 4,189,053	
Adjustment to 2017 Tax Levy	90,677	3,082,858	126,948	4,316,001
TOTAL TO BE ACCOUNTED FOR		$ 3,128,576		$ 4,424,039
TAX COLLECTIONS:				
Prior Years	$ 9,733		$ 24,622	
Current Year	3,072,183	3,081,916	4,301,055	4,325,677
TAXES RECEIVABLE - JULY 31, 2018		$ 46,660		$ 98,362
TAXES RECEIVABLE BY YEAR:				
2017		$ 10,675		$ 14,946
2016		5,541		8,149
2015		4,887		7,475
2014		3,412		5,791
2013		1,621		4,473
2012		2,377		6,074
2011		2,642		6,509
2010 and prior		15,505		44,945
TOTAL		$ 46,660		$ 98,362

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	$ 166,591,026	$ 162,225,161	$ 157,601,492	$ 168,264,141
Improvements	727,742,479	716,374,647	687,872,999	596,818,063
Personal Property	16,616,800	17,331,387	20,426,659	14,747,899
Exemptions	(30,133,728)	(29,543,530)	(30,441,701)	(43,768,042)
TOTAL PROPERTY VALUATIONS	$ 880,816,577	$ 866,387,665	$ 835,459,449	$ 736,062,061
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.49	$ 0.50	$ 0.52	$ 0.56
Maintenance	0.35	0.34	0.34	0.33
TOTAL TAX RATES PER $100 VALUATION	$ 0.84	$ 0.84	$ 0.86	$ 0.89
ADJUSTED TAX LEVY*	$ 7,398,859	$ 7,277,656	$ 7,184,951	$ 6,550,953
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.65 %	99.81 %	99.83 %	99.86 %

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

Maintenance Tax – Maximum tax rate of $1.50 per $100 of assessed valuation approved by voters on May 5, 2001.

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES - 2008		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 150,000	$ 70,000	$ 220,000
2020	150,000	64,000	214,000
2021	175,000	57,500	232,500
2022		54,000	54,000
2023		54,000	54,000
2024		54,000	54,000
2025		54,000	54,000
2026		54,000	54,000
2027		54,000	54,000
2028		54,000	54,000
2029		54,000	54,000
2030		54,000	54,000
2031		54,000	54,000
2032		54,000	54,000
2033	600,000	40,500	640,500
2034	600,000	13,500	613,500
	$ 1,675,000	$ 839,500	$ 2,514,500

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	S E R I E S - 2 0 0 9		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 175,000	$ 30,775	$ 205,775
2020	200,000	22,200	222,200
2021	200,000	13,600	213,600
2022	200,000	4,600	204,600
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	$ 775,000	$ 71,175	$ 846,175

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES - 2010		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 125,000	$ 192,781	$ 317,781
2020	125,000	187,000	312,000
2021	125,000	182,000	307,000
2022	150,000	176,500	326,500
2023	150,000	170,500	320,500
2024	150,000	164,500	314,500
2025	175,000	158,000	333,000
2026	175,000	151,000	326,000
2027	200,000	143,500	343,500
2028	200,000	135,375	335,375
2029	500,000	120,625	620,625
2030	500,000	99,375	599,375
2031	500,000	77,812	577,812
2032	500,000	55,938	555,938
2033	500,000	33,750	533,750
2034	500,000	11,250	511,250
	$ 4,575,000	$ 2,059,906	$ 6,634,906

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES-2011 REFUNDING		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 290,000	$ 105,219	$ 395,219
2020	305,000	97,020	402,020
2021	315,000	87,522	402,522
2022	320,000	77,400	397,400
2023	335,000	65,500	400,500
2024	345,000	51,900	396,900
2025	360,000	37,800	397,800
2026	375,000	23,100	398,100
2027	390,000	7,800	397,800
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	$ 3,035,000	$ 553,261	$ 3,588,261

See accompanying independent auditor’s report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES-2012 REFUNDING		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 710,000	$ 265,750	$ 975,750
2020	725,000	251,400	976,400
2021	745,000	232,975	977,975
2022	775,000	210,175	985,175
2023	810,000	186,400	996,400
2024	835,000	161,725	996,725
2025	865,000	131,900	996,900
2026	910,000	96,400	1,006,400
2027	955,000	59,100	1,014,100
2028	1,000,000	20,000	1,020,000
2029			
2030			
2031			
2032			
2033			
2034			
	$ 8,330,000	$ 1,615,825	$ 9,945,825

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES-2013 REFUNDING		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 535,000	$ 200,563	$ 735,563
2020	525,000	187,337	712,337
2021	520,000	171,662	691,662
2022	515,000	156,138	671,138
2023	510,000	140,125	650,125
2024	505,000	123,000	628,000
2025	495,000	104,882	599,882
2026	495,000	85,700	580,700
2027	490,000	66,000	556,000
2028	620,000	43,800	663,800
2029	785,000	15,700	800,700
2030			
2031			
2032			
2033			
2034			
	$ 5,995,000	$ 1,294,907	$ 7,289,907

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	S E R I E S - 2 0 1 4		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 350,000	$ 171,756	$ 521,756
2020	350,000	164,757	514,757
2021	350,000	157,319	507,319
2022	350,000	149,006	499,006
2023	350,000	139,381	489,381
2024	350,000	128,881	478,881
2025	350,000	118,164	468,164
2026	330,000	107,331	437,331
2027	325,000	96,484	421,484
2028	325,000	85,312	410,312
2029	325,000	73,125	398,125
2030	325,000	60,125	385,125
2031	325,000	47,125	372,125
2032	325,000	34,125	359,125
2033	325,000	20,719	345,719
2034	325,000	6,906	331,906
	$ 5,380,000	$ 1,560,516	$ 6,940,516

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES-2014 REFUNDING		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 165,000	$ 117,050	$ 282,050
2020	160,000	113,800	273,800
2021	160,000	110,600	270,600
2022	155,000	106,675	261,675
2023	155,000	102,025	257,025
2024	150,000	97,450	247,450
2025		95,200	95,200
2026		95,200	95,200
2027		95,200	95,200
2028		95,200	95,200
2029		95,200	95,200
2030	800,000	79,200	879,200
2031	795,000	47,300	842,300
2032	785,000	15,700	800,700
2033			
2034			
	$ 3,325,000	$ 1,265,800	$ 4,590,800

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES-2015 REFUNDING		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 35,000	$ 165,894	$ 200,894
2020	35,000	165,194	200,194
2021	40,000	164,244	204,244
2022	40,000	163,044	203,044
2023	40,000	161,844	201,844
2024	40,000	160,644	200,644
2025	190,000	157,194	347,194
2026	190,000	150,544	340,544
2027	195,000	142,844	337,844
2028	285,000	133,244	418,244
2029	690,000	116,762	806,762
2030	675,000	95,434	770,434
2031	665,000	74,080	739,080
2032	680,000	52,225	732,225
2033	865,000	26,578	891,578
2034	355,000	5,991	360,991
	$ 5,020,000	$ 1,935,760	$ 6,955,760

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES-2016		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 250,000	$ 82,688	$ 332,688
2020	250,000	77,688	327,688
2021	250,000	72,688	322,688
2022	250,000	67,688	317,688
2023	250,000	62,688	312,688
2024	250,000	57,688	307,688
2025	250,000	52,688	302,688
2026	250,000	47,688	297,688
2027	250,000	42,531	292,531
2028	250,000	37,063	287,063
2029	250,000	31,125	281,125
2030	200,000	25,500	225,500
2031	200,000	20,250	220,250
2032	200,000	14,750	214,750
2033	200,000	9,000	209,000
2034	200,000	3,000	203,000
	$ 3,750,000	$ 704,723	$ 4,454,723

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

	SERIES - 2016 REFUNDING		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	$ 20,000	$ 191,075	$ 211,075
2020	20,000	190,675	210,675
2021	20,000	190,275	210,275
2022	220,000	187,875	407,875
2023	450,000	180,050	630,050
2024	480,000	167,225	647,225
2025	475,000	151,713	626,713
2026	520,000	134,300	654,300
2027	515,000	114,900	629,900
2028	710,000	90,400	800,400
2029	480,000	66,600	546,600
2030	480,000	47,400	527,400
2031	475,000	28,300	503,300
2032	470,000	9,400	479,400
2033			
2034			
	$ 5,335,000	$ 1,750,188	$ 7,085,188

See accompanying independent auditor's report.

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HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
	ANNUAL REQUIREMENTS FOR ALL SERIES		
2019	$ 2,805,000	$ 1,593,551	$ 4,398,551
2020	2,845,000	1,521,071	4,366,071
2021	2,900,000	1,440,385	4,340,385
2022	2,975,000	1,353,101	4,328,101
2023	3,050,000	1,262,513	4,312,513
2024	3,105,000	1,167,013	4,272,013
2025	3,160,000	1,061,541	4,221,541
2026	3,245,000	945,263	4,190,263
2027	3,320,000	822,359	4,142,359
2028	3,390,000	694,394	4,084,394
2029	3,030,000	573,137	3,603,137
2030	2,980,000	461,034	3,441,034
2031	2,960,000	348,867	3,308,867
2032	2,960,000	236,138	3,196,138
2033	2,490,000	130,547	2,620,547
2034	1,980,000	40,647	2,020,647
	$ 47,195,000	$ 13,651,561	$ 60,846,561

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2008	$ 8,160,000	$ 1,825,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2009	5,550,000	950,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Park Bonds - Series 2010	5,315,000	4,700,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2011	4,775,000	3,325,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2012	9,305,000	9,010,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2013	8,310,000	6,540,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2014	6,430,000	5,730,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2014	3,370,000	3,340,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2015	5,245,000	5,205,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2016	4,000,000	4,000,000
Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2016	5,355,000	5,355,000
TOTAL	$ 65,815,000	$ 49,980,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding July 31, 2018	Paying Agent
	$ 150,000	$ 77,125	$ 1,675,000	Wells Fargo Bank N.A. Houston, TX
	175,000	39,525	775,000	Wells Fargo Bank N.A. Houston, TX
	125,000	199,344	4,575,000	Wells Fargo Bank N.A. Houston, TX
	290,000	112,106	3,035,000	Wells Fargo Bank N.A. Fort Worth, TX
	680,000	279,650	8,330,000	Wells Fargo Bank N.A. Houston, TX
	545,000	211,362	5,995,000	Wells Fargo Bank N.A. Minneapolis, MN
	350,000	178,756	5,380,000	Wells Fargo Bank N.A. Minneapolis, MN
	15,000	118,850	3,325,000	Wells Fargo Bank N.A. Minneapolis, MN
	185,000	168,094	5,020,000	Bank of New York Mellon Trust Dallas, TX
	250,000	87,688	3,750,000	Bank of New York Mellon Trust Dallas, TX
	20,000	191,475	5,335,000	Bank of New York Mellon Trust Dallas, TX
$ - 0 -	$ 2,785,000	$ 1,663,975	$ 47,195,000	

See accompanying independent auditor's report.

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HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018

Bond Authority:	Tax Bonds*	Refunding Bonds	Park Bonds
Amount Authorized by Voters	$ 88,000,000	$ 132,000,000	$ 8,000,000
Amount Issued	62,480,000	2,212,696	5,315,000
Remaining to be Issued	$ 25,520,000	$ 129,787,304	$ 2,685,000

Debt Service Fund cash and investments balances as of July 31, 2018:	$ 7,460,871
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,802,910

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

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

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 3,081,916	$ 2,888,041	$ 2,837,069
Water Service	1,678,834	1,515,588	1,409,681
Wastewater Service	809,092	812,879	799,002
Sales Tax Revenue	99,448	95,551	97,856
Penalty and Interest	25,667	30,099	28,710
Tap Connection and Inspection Fees	137,875	81,433	132,397
Investment Revenues	92,758	24,126	10,375
Miscellaneous Revenues	54,054	51,023	47,686
TOTAL REVENUES	$ 5,979,644	$ 5,498,740	$ 5,362,776
EXPENDITURES			
Professional Fees	$ 202,763	$ 215,392	$ 224,100
Contracted Services	894,860	877,226	885,880
Purchased Water Service	1,409,568	1,361,419	1,455,669
Purchased Wastewater Service	511,640	500,122	532,295
Utilities	104,438	108,065	110,721
Repairs and Maintenance	681,597	589,087	582,163
Other	183,485	147,593	149,749
Capital Outlay	1,684,946	765,725	812,265
TOTAL EXPENDITURES	$ 5,673,297	$ 4,564,629	$ 4,752,842
EXCESS OF REVENUES OVER EXPENDITURES	$ 306,347	$ 934,111	$ 609,934
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ - 0 -	$ 2,930,038	$ (1,061)
NET CHANGE IN FUND BALANCE	$ 306,347	$ 3,864,149	$ 608,873
BEGINNING FUND BALANCE	8,030,051	4,165,902	3,557,029
ENDING FUND BALANCE	$ 8,336,398	$ 8,030,051	$ 4,165,902

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
$ 2,429,328	$ 1,545,958	51.5 %	52.6 %	52.9 %	53.7 %	40.1 %
1,144,222	1,178,292	28.1	27.6	26.3	25.3	30.6
707,214	744,752	13.5	14.8	14.9	15.6	19.4
96,774	84,058	1.7	1.7	1.8	2.1	2.2
34,262	38,963	0.4	0.5	0.5	0.8	1.0
59,346	187,012	2.3	1.5	2.5	1.3	4.9
6,635	6,424	1.6	0.4	0.2	0.1	0.2
49,093	60,505	0.9	0.9	0.9	1.1	1.6
$ 4,526,874	$ 3,845,964	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 207,533	$ 211,773	3.3 %	3.8 %	4.2 %	4.5 %	5.5 %
710,372	694,218	15.0	15.9	16.5	15.7	18.2
1,087,314	1,199,236	23.6	24.8	27.1	24.0	31.2
421,225	439,686	8.6	9.1	9.9	9.3	11.4
112,197	104,608	1.7	2.0	2.1	2.5	2.7
681,824	616,476	11.4	10.7	10.9	15.1	16.0
195,457	192,650	3.1	2.7	2.8	4.3	5.0
138,608	108,458	28.2	13.9	15.1	3.1	2.8
$ 3,554,530	$ 3,567,105	94.9 %	82.9 %	88.6 %	78.5 %	92.8 %
$ 972,344	$ 278,859	5.1 %	17.1 %	11.4 %	21.5 %	7.2 %
$ (30,680)	$ 33,246					
$ 941,664	$ 312,105					
2,615,365	2,303,260					
$ 3,557,029	$ 2,615,365					

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	$ 4,325,677	$ 4,231,315	$ 4,340,841
Penalty and Interest	73,284	39,210	49,597
Interest on Investments	73,128	22,029	11,660
Miscellaneous Revenues	225	221	306
TOTAL REVENUES	$ 4,472,314	$ 4,292,775	$ 4,402,404
EXPENDITURES			
Tax Collection Expenditures	$ 114,559	$ 99,504	$ 105,612
Debt Service Principal	2,785,000	2,485,000	2,375,000
Debt Service Interest and Fees	1,672,075	1,722,761	1,761,782
Bond Issuance Costs			213,766
Payment to Refunded Bond Escrow Agent			
TOTAL EXPENDITURES	$ 4,571,634	$ 4,307,265	$ 4,456,160
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (99,320)	$ (14,490)	$ (53,756)
OTHER FINANCING SOURCES (USES)			
Proceeds of Refunding Bonds	$	$	$ 5,355,000
Payment to Refunding Bond Escrow Agent			(5,721,561)
Bond Premium			536,785
TOTAL OTHER FINANCING SOURCES, NET	$ - 0 -	$ - 0 -	$ 170,224
NET CHANGE IN FUND BALANCE	$ (99,320)	$ (14,490)	$ 116,468
BEGINNING FUND BALANCE	7,502,505	7,516,995	7,400,527
ENDING FUND BALANCE	$ 7,403,185	$ 7,502,505	$ 7,516,995
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,251	2,244	2,232
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,072	2,073	2,060

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
$ 4,148,787	$ 4,265,985	96.8 %	98.6 %	98.6 %	98.8 %	98.9 %
41,358	33,787	1.6	0.9	1.1	1.0	0.8
8,342	8,490	1.6	0.5	0.3	0.2	0.2
347	5,415					0.1
$ 4,198,834	$ 4,313,677	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 97,954	$ 88,120	2.5 %	2.3 %	2.4 %	2.3 %	2.0 %
1,905,000	1,915,000	62.3	57.9	53.9	45.4	44.5
1,942,929	1,796,313	37.4	40.1	40.0	46.3	41.6
350,161	300,681			4.9	8.3	7.0
67,000	148,000				1.6	3.4
$ 4,363,044	$ 4,248,114	102.2 %	100.3 %	101.2 %	103.9 %	98.5 %
$ (164,210)	$ 65,563	(2.2) %	(0.3) %	(1.2) %	(3.9) %	1.5 %
$ 8,615,000	$ 8,506,256					
(8,378,996)	(8,236,766)					
117,074	228,198					
$ 353,078	$ 497,688					
$ 188,868	$ 563,251					
7,211,659	6,648,408					
$ 7,400,527	$ 7,211,659					
2,218	2,201					
2,047	2,029					

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018

District Mailing Address	-	Harris County Water Control and Improvement District No. 96 c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP 1980 Post Oak Blvd., Suite 1380 Houston, TX 77056
District Telephone Number	-	(713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2018	Expense reimbursements for the year ended July 31, 2018	Title
Lonnie Jackson	05/18 - 05/22 (Elected)	$ 4,200	$ 2,434	President
Brett Sileo	05/16 - 05/20 (Elected)	$ 2,400	$ 165	Vice President
Ben Bates	05/16 - 05/20 (Elected)	$ 3,750	$ 1,819	Secretary/ Treasurer
Amber Hurd	05/18 - 05/22 (Elected)	$ 1,950	$ 170	Assistant Secretary
Linda Ihns	05/18 - 05/22 (Elected)	$ 3,450	$ 1,455	Assistant Secretary

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

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 4, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by the Commission (TWC Section 49.060). The District has only approved fees of office of $6,000 per year per resolution approved on July 17, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018

Consultants:	Date Hired	Fees for the year ended July 31, 2018	Title
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/20/10	$ 154,069	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/09/02	$ 18,300	Auditor
L & S District Services, LLC	12/21/00	$ 18,845	Bookkeeper/ Investment Officer
Brown & Gay Engineers, Inc.	11/14/00	$ 230,947	Engineer
Masterson Advisors LLC	05/01/18	$ -0-	Financial Advisor
Si Environmental, LLC	05/01/12	$ 433,255	Operator
Bob Leared	07/17/01	$ 29,132	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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