OFFICIAL STATEMENT DATED JUNE 18, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166 AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry-Only

Ratings: S&P Global Ratings (AGM Insured) "AA" (stable outlook)
Moody's Investors Service, Inc. (AGM Insured) . . . . "A2" (stable outlook)
Moody's Investors Service, Inc. (Underlying)... "Baa1" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

$6,700,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2020

Dated: July 1, 2020 **Due: September 1, as shown below**

Principal of the above bonds (the "Bonds") is payable to the registered owners thereof (the "Registered Owners") by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from July 1, 2020, and is payable on March 1, 2021 (eight-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only. The Bonds, including the Term Bonds, maturing on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2025, or on any date thereafter, at the option of Harris County Municipal Utility District No. 166 (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC, as defined below, in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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 directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners.

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

ASSURED GUARANTY MUNICIPAL

MATURITY SCHEDULE
CUSIP Prefix (a) 41421V

$6,580,000 Serial Bonds

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)	Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
$ 25,000	2022	4.50%	0.95%	GE0	$ 610,000	2032(c)	2.000%	2.00%	GQ3
25,000	2023	4.50	1.00	GF7	****	****			
25,000	2024	4.50	1.10	GG5	920,000	2036(c)	2.000	2.15	GR1
35,000	2025	4.50	1.20	GH3	960,000	2037(c)	2.125	2.20	GS9
****	****				1,005,000	2038(c)	2.125	2.25	GT7
255,000	2030(c)	2.00	1.80	GN0	1,050,000	2039(c)	2.250	2.35	GU4
575,000	2031(c)	2.00	1.90	GP5	1,095,000	2040(c)	2.250	2.40	GV2

$120,000 Term Bonds, Due September 1, 2029 (c)(d), CUSIP Suffix GM2(a), Interest Rate 4.50% (Yield 1.30%)(b)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers will be assigned to this issue by the CUSIP Service Bureau and will be included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (hereinafter defined), the Financial Advisor (hereinafter defined), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
(c) Subject to optional redemption as described above.
(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS - Source and Security for Payment." 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 as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 22, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas, 77056 upon payment of the costs for duplication thereof.

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

The Underwriter (defined herein) has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the cover page hereof at a price of 97.0% of the principal amount thereof, plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.350039% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately $2,573 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "NO MATERIAL ADVERSE CHANGE," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of their obligations to take up and pay for the Bonds.

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC and "A2" (stable outlook) from Moody's Investors Service ("Moody's"), based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's is "Baa1" (stable outlook).

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

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

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer	Harris County Municipal Utility District No. 166 (the "District"), is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - General."
Description	Harris County Municipal Utility District No. 166 Unlimited Tax Bonds, Series 2020 (the "Bonds"), in the aggregate principal amount of $6,700,000 are dated July 1, 2020. Interest on the Bonds will accrue from July 1, 2020, at the rates shown on the cover hereof, and will be payable on March 1, 2021 (eight-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. $6,580,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2022 through 2025, inclusive, 2030 through 2032, inclusive, and 2036 through 2040, inclusive, in the respective principal amounts set forth on the cover page of this Official Statement under the heading "MATURITY SCHEDULE." $120,000 of the Bonds are issued as term bonds maturing on September 1, 2029 (collectively, the "Term Bonds'). The Bonds are issued in fully registered form and will be issued in denominations of $5,000 or any integral multiple thereof. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2025, or on any date thereafter at the option of the District. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as more completely described in this Official Statement. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See "THE BONDS."
Book-Entry Only	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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."
Source and Security for Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located

	within the District. See "THE BONDS - Source and Security for Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates."
Use of Proceeds	A portion of the proceeds of the sale of the Bonds will be used by the District to pay the District's cost of construction and acquisition of a wastewater treatment plant and engineering fees associated with the design and construction of such facilities. Bond proceeds will also be used to pay certain issuance costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Payment Record	The District has previously issued Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), and Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds") to finance components of its water, sanitary sewer, and drainage facilities. In addition, the District has issued its Unlimited Tax Refunding Bond, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds") to refund outstanding bonds of the District. All of such previously issued Bonds are referred to as the "Prior Bonds." The District has timely paid all principal of and interest on the Prior Bonds when due. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is $9,080,000 (the "Outstanding Bonds") and the total of the District's direct bonded indebtedness, including the Bonds, will be $15,780,000.
Authorized But Unissued Bonds	$18,965,000 for water, sanitary sewer, and drainage facilities (collectively, the "System") and $22,440,000 for refunding purposes will remain authorized but unissued after issuance of the Bonds. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the System that the District will finance with portions of the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt." See "INVESTMENT CONSIDERATIONS - Future Debt."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

Municipal Bond Ratings	S&P Global Ratings (AGM insured).... "AA" (stable outlook). Moody's Investors Service, Inc. (AGM insured).... "A2" (stable outlook). Moody's Investors Service, Inc. (underlying) "Baa1" (stable outlook). See "BOND INSURANCE" and "RATINGS."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
Legal Opinion	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. See "THE DISTRICT - Management of the District," "LEGAL MATTERS" and "TAX MATTERS."
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by Order of the Texas Water Commission, a predecessor to the Texas Commission on Environmental Quality (the "Commission"), on June 20, 1979. The District contains approximately 324.74 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located within the Cypress-Fairbanks Independent School District. The District is located approximately 20 miles northwest of the central business district of the City, west of State Highway 6, south of FM 529, east of Queenston Boulevard, and north of Keith Harrow Boulevard. See "THE DISTRICT - General" and - "Description," and "APPENDIX A - LOCATION MAP."
Authority	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General."
Development and Home Construction	As of May 1, 2020, the District contained 867 homes that have been constructed on the 867 single-family residential lots that have been developed within the District, all of which homes have been sold to home purchasers. In addition, commercial buildings totaling approximately 64,754 square feet of building area have been completed within the District as is described below. According to the District's Engineer, the development of such 867 single-family residential lots (Villages of Langham Creek, Sections 1 through 5 and Villages of Langham Creek Estates, Sections 1 and 2) located

within the District (an aggregate of approximately 147.1 acres) is complete with the provision of water supply and distribution, wastewater collection and treatment, and storm drainage facilities and street paving. Underground components of the System and street paving have been also constructed to the perimeter of the approximately 41.6-acre Blue Sky commercial tract located within the District. Such tract comprises a mixed use project that is planned for the development of commercial and multi-family residential projects. Initial above-ground improvements that have been constructed within the tract consist of an approximately 14,736 square foot retail store, an approximately 5,300 square foot Capital One Bank, an approximately 2,524 square foot Regions Bank, an approximately 3,700 square foot Members Choice Credit Union, and an approximately 12,048 square foot restaurant. In addition, underground components of the System and street paving have been constructed to the perimeter of an approximately 2.2 acre commercial tract located within the District upon which an approximately 22,750 square foot retail shopping center has been constructed and an approximately 1.0 acre commercial tract located within the District upon which an approximately 3,696 square foot Shell gasoline station has been constructed.

Approximately 32.9 acres of currently undeveloped land located within the District are owned by Pulte Homes of Texas, L.P. ("Pulte"). According to Pulte, such approximately 32.9 acres (the "Pulte Tract") are planned to be developed as 165 future single-family residential lots. Pulte has initiated the construction of detention facilities to serve the Pulte Tract and water, sewer and drainage facilities to serve Kingfield Drive. It is expected that such construction will be complete in approximately July, 2020. Since there is no legal commitment on Pulte to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed.

Approximately 50 acres of land located within the District are owned by the Cypress-Fairbanks Independent School District on which it has constructed a middle school. Such land is exempt from taxation by the District.

The District has financed its cost of components of the System, including water distribution, wastewater collection and storm sewer and drainage improvements to serve Villages of Langham Creek, Sections 1 through 5, Villages of Langham Creek Estates, Sections 1 and 2, the approximately 41.6-acre Blue Sky commercial tract, and the West Little York Commercial Corner located within the District, and other facilities, as is described in this Official Statement under the caption "THE SYSTEM" with the proceeds of the sale of the Prior Bonds. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the System that the District will finance with portions of the proceeds of the sale of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM”), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

In addition to Villages of Langham Creek, Sections 1 through 5, the Villages of Langham Creek Estates, Sections 1 and 2, the approximately 2.2 acre commercial tract, the approximately 1.0 acre commercial tract, and the approximately 41.6-acre Blue Sky commercial tract that have been developed as is described in this Official Statement and the approximately 32.9 acre Pulte Tract, an aggregate of approximately 15.0 acres of land located in the District are available for future development. Such remaining approximately 15.0 acres of currently undeveloped land located within the District are owned by multiple parties. Since none of the owners of any of such other approximately 15.0 acres of currently undeveloped land has reported any definitive development plan covering any of such acres to the District, and since there is no legal commitment on the part of the owners of such land to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. The balance of the land located within the District is contained within various easements, rights-of-way, or District plant sites, or are otherwise not available for future development. See “TAX DATA - Principal 2019 Taxpayers,” “PRINCIPAL LANDOWNERS,” “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Principal Landowners . . . .

The owner of the approximately 41.6 acre Blue Sky commercial tract of land located within the District is Blusky Interests, Ltd. Underground trunk components of the System and street paving have been constructed to the perimeter of such approximately 41.6 acre tract. The tract comprises a mixed use project that is planned for the development of commercial and multi-family residential projects. Initial above-ground improvements that have been constructed within the Blusky commercial tract consist of an approximately 14,736 square foot retail store, an approximately 5,300 square foot Capital One Bank, an approximately 2,524 square foot Regions Bank, an approximately 3,700 square foot Members Choice Credit Union, and an approximately 12,048 square foot restaurant.

Approximately 32.9 acres of currently undeveloped land located within the District are owned by Pulte. According to Pulte, such approximately 32.9 acres are planned to be developed as 165 future single-family residential lots. Pulte has initiated the construction of detention facilities to serve the Pulte Tract and water, sewer and drainage facilities to serve Kingfield Drive. It is expected that such construction will be complete in approximately July, 2020. Since there is no legal commitment on the Pulte to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed.

An aggregate of approximately 15.0 acres of land located in the District are available for future development. Such remaining approximately 15.0 acres of currently undeveloped land located within the District are owned by multiple parties. Since none the owners of any of such other approximately 15.0 acres of currently undeveloped land has reported any definitive development plan to the District covering any of such acres, and since there is no legal commitment on the part of the owners of such land to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. See “TAX DATA - Principal 2019 Taxpayers,” “PRINCIPAL LANDOWNERS,” “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2019 Assessed Valuation (As of January 1, 2019) See "TAX DATA" and "TAX PROCEDURES."			$189,904,981(a)
2020 Preliminary Valuation (As of January 1, 2020) See "TAX DATA" and "TAX PROCEDURES."			$201,424,635(b)
Direct Debt:	Outstanding Bonds		$ 9,080,000
	The Bonds		6,700,000
	Total		$ 15,780,000(c)
Estimated Overlapping Debt			$ 11,302,551(c)
Direct and Estimated Overlapping Debt			$ 27,082,551(c)
Direct Debt Ratio			
	: as a percentage of 2019 Assessed Valuation		8.31%
	: as a percentage of 2020 Preliminary Valuation		7.83%
Direct and Estimated Overlapping Debt Ratio			
	: as a percentage of 2019 Assessed Valuation		14.26%
	: as a percentage of 2020 Preliminary Valuation		13.45%
General Fund Balance at May 15, 2020			$ 3,741,683
Bond Fund Balance at May 15, 2020			$ 1,465,135(d)
Average Percentage of Total Tax Collections 2009-2018 As of April 30, 2020.			99.82%
Percentage of Tax Collections 2019 Tax Levy As of April 30, 2020. In process of collection			98.54%
2019 Tax Rate Per $100 of Assessed Valuation			
	Debt Service Tax	$0.46	
	Maintenance Tax	0.33	
	Total		$0.79(e)
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2021-2040)			$ 1,019,877
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2040)			$ 1,119,638
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2021-2040) at 95% Tax Collections			
	Based Upon 2019 Assessed Valuation		$0.57(e)
	Based Upon 2020 Preliminary Valuation		$0.54(e)

Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2035) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	$0.63(e)
Based Upon 2020 Preliminary Valuation	$0.59(e)
Number of Single Family Residences as of May 1, 2020	867

Commercial Improvements - Approximately 64,754 Square Feet of Building Area

Retail Store - Approximately 14,736 Square Feet of Building Area
Capital One Bank - Approximately 5,300 Square Feet of Building Area
Members Choice Credit Union - Approximately 3,700 Square Feet of Building Area
Regions Bank - Approximately 2,524 square feet of Building Area
Restaurant - Approximately 12,048 Square Feet of Building Area
Retail Shopping Center - Approximately 22,750 Square Feet of Building Area
Shell Gasoline Station - Approximately 3,696 Square Feet of Building Area

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(a) As of January 1, 2019. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2020, as reflected on the District's preliminary 2020 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2020 values resulting from the construction of taxable improvements from January 1, 2019, through December 31, 2019. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2019 taxable value of personal property located within the District. The taxable value of personal property on the District's 2019 tax roll was $4,004,689. The District's ultimate 2019 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2020. See "TAX PROCEDURES."

(c) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the System that the District will finance with portions of the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future.

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2020. The District's remaining debt service payments for 2020, which consists of principal of and interest on the Outstanding Bonds, are due September 1, 2020, and total $664,950. The initial payment on the Bonds, consisting of an eight-month interest payment thereof, is due on March 1, 2021.

(e) The District has levied a debt service tax for 2019 in the amount of $0.46 per $100 of Assessed Valuation, plus a maintenance tax of $0.33 per $100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2019 tax rate, is $2.9443, which is higher than the total tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the total levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAX DATA - Tax Rate Calculations," "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments."

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
UNLIMITED TAX BONDS
SERIES 2020

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 166 (the "District") of its Unlimited Tax Bonds, Series 2020 (the "Bonds").

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Order adopted by the Board of Directors authorizing the issuance of the Bonds (the "Bond Order"), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated July 1, 2020, with interest payable on March 1, 2021 (eight-month interest payment), and on each September 1 and March 1 thereafter (each, an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from July 1, 2020, at the rates shown on the cover hereof, and thereafter, from the most recent Interest Payment Date. $6,580,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2022 through 2025, inclusive, 2030 through 2032, inclusive, and 2036 through 2040, inclusive, in the respective principal amounts set forth on the cover page of this Official Statement under the heading "MATURITY SCHEDULE." $120,000 of the Bonds are issued as term bonds maturing on September 1, 2029 (collectively, the "Term Bonds'). The Bonds are issued in fully registered form and will be issued in denominations of $5,000 or any integral multiple thereof. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on November 3, 1981 and November 6, 2018, voters of the District authorized a total of $40,060,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds are the fifth issuance of bonds from such authorization. The Bonds are issued by the District pursuant to said elections and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended and an order of the TCEQ.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District (see "TAX PROCEDURES"). Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

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

Record Date

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

Redemption Provisions

Mandatory Redemption

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

$120,000 Term Bonds Maturing on September 1, 2029

Year of Redemption	Principal Amount
2026	$30,000
2027	25,000
2028	30,000
2029 (maturity)	35,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or 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 Term Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption in the manner specified in the Bond Order.

Effects of Redemption

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., (the "Paying Agent," "Registrar" or "Paying Agent/Registrar") having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $40,060,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $18,965,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $22,500,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District has $22,440,000 of unlimited tax refunding bonds authorized but unissued.

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

The District's Engineer currently estimates that the $18,965,000 authorized bonds which will remain unissued after the issuance of the Bonds will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

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

Financing Road Facilities

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

Financing Recreational Facilities

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

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

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

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "Strategic Partnership Agreement" below. The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Strategic Partnership Agreement

The District and the City of Houston (the “City”) have entered into that certain First Amended and Restated Strategic Partnership Agreement dated effective December 19, 2011 (the “SPA”) pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules.

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the approximately 78.4 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (½) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (herein defined as the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

Consolidation

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

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 right to seek 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. Certain traditional legal remedies may also not be available. See “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy.”

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 a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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 believes the source of such information to be reliable, but neither the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds of the sale of the Bonds will be used by the District to pay the District's cost of construction and acquisition of a wastewater treatment plant and engineering fees associated with the design and construction of such facilities. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

CONSTRUCTION RELATED COSTS	
Construction costs approved by the Commission	$6,062,500
TOTAL CONSTRUCTION RELATED COSTS	**$6,062,500**
NON-CONSTRUCTION COSTS	
Underwriter's Discount	$ 201,000
TOTAL NON-CONSTRUCTION COSTS	$ 201,000
ISSUANCE COSTS AND FEES	
Issuance Costs and Professional Fees	$ 346,050
Bond Application Report Costs	67,000
State Regulatory Fees	23,450
TOTAL ISSUANCE COSTS AND FEES	$ 436,500
TOTAL BOND ISSUE	**$6,700,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken May 2020)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2020)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2020)

DISTRICT DEBT

2019 Assessed Valuation		$189,904,981(a)
(As of January 1, 2019)		
See "TAX DATA" and "TAX PROCEDURES."		
2020 Preliminary Valuation		$201,424,635(b)
(As of January 1, 2020)		
See "TAX DATA" and "TAX PROCEDURES."		
Direct Debt: Outstanding Bonds		$ 9,080,000
The Bonds		6,700,000
Total		$ 15,780,000(c)
Estimated Overlapping Debt		$ 11,302,551
Direct and Estimated Overlapping Debt		$ 27,082,551
Direct Debt Ratio		
: as a percentage of 2019 Assessed Valuation		8.31%
: as a percentage of 2020 Preliminary Valuation		7.83%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2019 Assessed Valuation		14.26%
: as a percentage of 2020 Preliminary Valuation		13.45%
General Fund Balance at May 15, 2020		$ 3,741,683
Bond Fund Balance at May 15, 2020		$ 1,465,135(d)
Average Percentage of Total Tax Collections 2009-2018		99.82%
As of April 30, 2020.		
Percentage of Tax Collections 2019 Tax Levy		
As of April 30, 2020. In process of collection		98.54%
2019 Tax Rate Per $100 of Assessed Valuation		
Debt Service Tax	$0.46	
Maintenance Tax	0.33	
Total		$0.79(e)

(a) As of January 1, 2019. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2020, as reflected on the District's preliminary 2020 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2020 values resulting from the construction of taxable improvements from January 1, 2019, through December 31, 2019. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2019 taxable value of personal property located within the District. The taxable value of personal property on the

District’s 2019 tax roll was $4,004,689. The District's ultimate 2019 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2020. See “TAX PROCEDURES.”

(c) In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the System that the District will finance with portions of the proceeds of the sale of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM”), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future.

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2020. The District’s remaining debt service payments for 2020, which consists of principal of and interest on the Outstanding Bonds, are due September 1, 2020, and total $664,950. The initial payment on the Bonds, consisting of an eight-month interest payment thereof, is due on March 1, 2021.

(e) The District has levied a debt service tax for 2019 in the amount of $0.46 per $100 of Assessed Valuation, plus a maintenance tax of $0.33 per $100 of Assessed Valuation. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2019 tax rate, is $2.9443, which is higher than the total tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the total levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “TAX DATA - Tax Rate Calculations,” “TAX PROCEDURES” and “INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

Taxing Jurisdiction	Outstanding Debt as of May 1, 2020	Overlapping Percent	Overlapping Amount
Harris County (i)	$1,885,182,125	0.03923%	$ 739,635
Harris County Department of Education	6,320,000	0.03923	2,480
Harris County Flood Control District	83,075,000	0.03923	32,594
Harris County Hospital District	55,005,000	0.03923	21,581
Port of Houston Authority	572,569,397	0.03923	224,643
Cypress Fairbanks Independent School District	2,844,780,000	0.34342	9,769,550
Lone Star College System District	570,885,000	0.08970	512,068
TOTAL ESTIMATED OVERLAPPING DEBT			$11,302,551
TOTAL DIRECT DEBT (the Bonds and the Outstanding Bonds) (ii)			15,780,000
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			$27,082,551

(i) Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.
(ii) Including the Bonds and the Outstanding Bonds.

Debt Ratios

	% of 2019 Assessed Valuation	% of 2020 Preliminary Valuation
Direct Debt	8.31%	7.83%
Direct and Estimated Overlapping Debt	14.26%	13.45%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District at a rate not to exceed $0.50 per $100 of Assessed Valuation. The District has levied a maintenance tax of $0.33 for 2019. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

Debt Service Requirements

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

		The Bonds		
Year	Outstanding Bonds	Principal (Due 9-1)	Interest	Total Debt Service Requirements
2020	$ 826,513			$ 826,513
2021	812,300		$ 172,164	984,464
2022	819,850	$ 25,000	147,569	992,419
2023	818,500	25,000	146,444	989,944
2024	821,700	25,000	145,319	992,019
2025	814,300	35,000	144,194	993,494
2026	816,600	30,000*	142,619	989,219
2027	823,300	25,000*	141,269	989,569
2028	819,250	30,000*	140,144	989,394
2029	819,750	35,000*	138,794	993,544
2030	599,650	255,000	137,219	991,869
2031	280,300	575,000	132,119	996,419
2032	282,850	610,000	120,619	1,013,469
2033	926,400		108,419	1,034,819
2034	928,950		108,419	1,037,369
2035	930,150		108,419	1,038,569
2036		920,000	108,419	1,028,419
2037		960,000	90,019	1,050,019
2038		1,005,000	69,619	1,074,619
2039		1,050,000	48,263	1,098,263
2040		1,095,000	24,638	1,119,638
	$12,149,363	$6,700,000	$2,374,688	$21,224,051

Average Annual Requirements - (2021-2040) . . . . $ 1,019,877
Maximum Annual Requirement - (2040) . . . . $ 1,119,638

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

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* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of $0.46 per $100 of Assessed Valuation for 2019.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	$0.50 per $100 of Assessed Valuation

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On November 3, 1981, the District voters authorized the levy of such a maintenance tax in the maximum amount of $0.50 per each $100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of $0.33 per $100 of Assessed Valuation for 2019.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed from the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

Tax Year	Assessed Valuation	Tax Rate(a)	Adjusted Levy	Cumulative % Collections: Current & Prior Years(b)	Cumulative % Collections: Year Ending 9/30
2009	$122,493,506	$1.00	$1,224,935	99.89%	2010
2010	124,638,127	1.00	1,246,205	99.89	2011
2011	126,986,746	1.00	1,269,519	99.79	2012
2012	127,824,120	0.93	1,188,615	99.80	2013
2013	133,324,423	0.93	1,239,917	99.81	2014
2014	143,239,585	0.93	1,331,997	99.81	2015
2015	156,043,852	0.87	1,357,471	99.90	2016
2016	163,349,988	0.82	1,339,376	99.81	2017
2017	172,639,126	0.79	1,363,849	99.77	2018
2018	172,458,561	0.79	1,362,423	99.68	2019
2019	189,904,981	0.79	1,500,249	98.54(c)	2020

(a) Per $100 of Assessed Valuation.
(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through April 30, 2020. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.
(c) As of April 30, 2020. In the process of collection.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service Tax	$0.46	$0.46	$0.46	$0.49	$0.54
Maintenance Tax	0.33	0.33	0.33	0.33	0.33
Total	$0.79	$0.79	$0.79	$0.82	$0.87

Analysis of Tax Base

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

Type of Property	2019 Assessed Valuation	%	2018 Assessed Valuation	%	2017 Assessed Valuation	%
Land	$ 50,111,584	26.39	$ 48,730,905	28.26%	$ 48,529,769	28.11%
Improvements	167,890,559	88.41	149,307,370	86.58	148,690,043	86.12
Personal Property	4,004,689	2.11	2,932,803	1.70	4,324,947	2.51
Exemptions	(32,101,851)	(16.90)	(28,512,517)	(16.53)	(28,905,633)	(16.74)
Total	$189,904,981	100.00%	$172,458,561	100.00%	$172,639,126	100.00%

Type of Property	2016 Assessed Valuation	%	2015 Assessed Valuation	%
Land	$ 46,805,590	28.65%	$ 46,516,952	29.81%
Improvements	141,260,609	86.48	137,070,037	87.84
Personal Property	3,913,646	2.40	4,735,840	3.03
Exemptions	(28,629,857)	(17.53)	(32,278,977)	(20.69)
Total	$163,349,988	100.00%	$156,043,852	100.00%

Principal 2019 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, the type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2019. The information reflects the composition of record of property ownership as of January 1, 2019.

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll	% 2019 Tax Roll
Blusky Interests, Ltd.	Land and Improvements	$10,212,154	5.38%
Peter Piper Pizza	Land and Improvements	2,785,172	1.47
Goldenyears OPS LLC	Land and Improvements	2,690,836	1.42
Verde Interests Ltd.	Land and Improvements	2,659,712	1.40
Capital One N.A.	Land, Improvements and Personal Property	2,425,841	1.28
Zakir Sakina	Land and Improvements	2,401,865	1.26
Comerica Bank	Land and Improvements	1,993,953	1.05
EZZI Little York LLC	Land	1,276,090	0.67
Rehman Inc.	Land and Improvements	818,525	0.43
Centerpoint Energy	Personal Property	657,800	0.35
		$27,921,948	14.70%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 Assessed Valuation or the 2020 Preliminary Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District other than the Bonds and the Outstanding Bonds.

Average Annual Debt Service Requirements (2021-2040)	$1,019,877
Tax Rate of $0.57 on the 2019 Assessed Valuation ($189,904,981) produces	$1,028,335
Tax Rate of $0.54 on the 2020 Preliminary Valuation ($201,424,635) produces	$1,033,308
Maximum Annual Debt Service Requirement (2040)	$1,119,638
Tax Rate of $0.63 on the 2019 Assessed Valuation ($189,904,981) produces	$1,136,581
Tax Rate of $0.59 on the 2020 Preliminary Valuation ($201,424,635) produces	$1,128,985

The District levied a debt service tax for 2019 of $0.46 per $100 of Assessed Valuation, plus a maintenance tax of $0.33 per $100 of Assessed Valuation. As the above table indicates, the 2019 debt service rate is not sufficient to pay the average annual or the maximum annual debt service requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2019 Assessed Valuation or the 2020 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated above under the caption "Historical Values and Tax Collection History," the District has collected an average of 99.82% of its 2009 through 2018 tax levies as of April 30, 2020, and its 2019 levy was 98.54% collected as of such date. Moreover, the District's Bond Fund balance is approximately $1,465,135 as of May 15, 2020. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). Therefore, the District anticipates that it will be able to meet debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2019 - $0.46 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments." The District expects to finance the cost of acquiring or constructing certain additional components of the System with portions of the proceeds of the sale of the bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2019 taxes levied upon property located within the District plus the District's 2019 levy. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2019 Tax Rate
The District	$0.79000
Cypress-Fairbanks Independent School District	1.37000
Harris County	0.40713
Harris County Flood Control District	0.02792
Harris County Department of Education	0.00500
Harris County Hospital District	0.16591
Port of Houston Authority	0.01074
Lone Star College System	0.10780
Harris County Emergency Services District No. 9	0.05980
	$2.9443

* The District has levied a total tax of $0.79 per $100 of Assessed Valuation for 2019, consisting of a debt service tax of $0.46 per $100 of Assessed Valuation and a maintenance tax of $0.33 per $100 of Assessed Valuation.

TAX PROCEDURES

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units 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 and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of $15,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, 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.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of Operation and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2019, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of build-out that a 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 herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 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 in the district, subject to certain homestead exemptions plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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.

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See “INVESTMENT CONSIDERATIONS - Tax Collection Limitations” and - “The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District.”

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the TCEQ, dated June 20, 1979, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, Texas, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS - Issuance of Additional Debt,” - “Financing Road Facilities,” and - “Financing Recreational Facilities.”

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description

The District contains approximately 324.74 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located within the Cypress-Fairbanks Independent School District. The District is located approximately 20 miles northwest of the central business district of the City, west of State Highway 6, south of FM 529, east of Queenston Boulevard, and north of Keith Harrow Boulevard. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. None of the Directors currently resides within the District. All of the Directors own land in the District, which is subject to separate non-recourse promissory notes.

Name	Position	Term Expires in May
Richard Love	President	2024
Nano P. Cox	Vice President	2022
Jim L. Owen	Secretary, Records Management Officer	2022
Tom C. Knickerbocker	Director	2022
Lisa Mendel	Director	2024

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

Tax Assessor/Collector - The District has engaged Bob Leared of Bob Leared Interests, Houston, Texas, as the District's Tax Assessor/Collector. According to Bob Leared Interests, it presently serves approximately 150 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax rate to appraisal rolls prepared by the Harris County Appraisal District and bills and collects such tax.

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

Consulting Engineers - The District has employed the firm of IDS Engineering Group, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's auditor for the 2019 fiscal year is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended September 30, 2019, is included as "APPENDIX B" to this Official Statement.

Bond Counsel and General Counsel - Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, has been engaged as Disclosure Counsel in connection with the issuance of the Bonds.

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

DEVELOPMENT AND HOME CONSTRUCTION

As of May 1, 2020, the District contained 867 homes that have been constructed on the 867 single-family residential lots that have been developed within the District, all of which homes have been sold to home purchasers. In addition, commercial buildings totaling approximately 64,754 square feet of building area have been completed within the District as is described below. According to the District's Engineer, the development of such 867 single-family residential lots (Villages of Langham Creek, Sections 1 through 5 and Villages of Langham Creek Estates, Sections 1 and 2) located within the District (an aggregate of approximately 147.1 acres) is complete with the provision of water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the "System") and street paving. Underground components of the System and street paving have been also constructed to the perimeter of the approximately 41.6-acre Blue Sky commercial tract located within the District. Such tract comprises a mixed use project that is planned for the development of commercial and multi-family residential projects. Initial above-ground improvements that have been constructed within the tract consist of an approximately 14,736 square foot retail store, an approximately 5,300 square foot Capital One Bank, an approximately 2,524 square foot Regions Bank, an approximately 3,700 square foot Members Choice Credit Union, and an approximately 12,048 square foot restaurant. In addition, underground components of the System and street paving have been constructed to the perimeter of an approximately 2.2 acre commercial tract located within the District upon which an approximately 22,750 square foot retail shopping center has been constructed and an approximately 1.0 acre commercial tract located within the District upon which an approximately 3,696 square foot Shell gasoline station has been constructed.

Approximately 32.9 acres of currently undeveloped land located within the District are owned by Pulte Homes of Texas, L.P. ("Pulte"). According to Pulte, such approximately 32.9 acres (the "Pulte Tract") are planned to be developed as 165 future single-family residential lots. Pulte has initiated the construction of detention facilities to serve the Pulte Tract and water, sewer and drainage facilities to serve Kingfield Drive. It is expected that such construction will be complete in approximately July 2020. Since there is no legal commitment on the Pulte to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed.

Approximately 50 acres of land located within the District are owned by the Cypress-Fairbanks Independent School District on which it has constructed a middle school. Such land is exempt from taxation by the District.

The District has financed its cost of components of the System, including water distribution, wastewater collection and storm sewer and drainage improvements to serve Villages of Langham Creek, Sections 1 through 5, Villages of Langham Creek Estates, Sections 1 and 2, the approximately 41.6-acre Blue Sky commercial tract, and the West Little York Commercial Corner located within the District, and other facilities, as is described in this Official Statement under the caption "THE SYSTEM" with the proceeds of the sale of the Prior Bonds. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the System that the District will finance with portions of the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

In addition to Villages of Langham Creek, Sections 1 through 5, the Villages of Langham Creek Estates, Sections 1 and 2, the approximately 2.2 acre commercial tract, the approximately 1.0 acre commercial tract, and the approximately 41.6-acre Blue Sky commercial tract that have been developed as is described in this Official Statement and the approximately 32.9 acre Pulte Tract, an aggregate of approximately 15.0 acres of land located in the District are available for future development. Such remaining approximately 15.0 acres of currently undeveloped land located within the District are owned by multiple parties. Since none of the owners of any of such other approximately 15.0 acres of currently undeveloped land has reported any definitive development plan covering any of such acres to the District, and since there is no legal commitment on the part of the owners of such land to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. The balance of the land located within the District is contained within various easements, rights-of-way, or District plant sites, or are otherwise not available for future development. See "TAX DATA - Principal 2019 Taxpayers," "PRINCIPAL LANDOWNERS," "FUTURE DEVELOPMENT" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

As of May 1, 2020, the status of home construction in the District was as follows:

	Lots				Homes				
					Under Construction		Completed		
Subdivision	Developed	Acres	Under Development	Acres	Sold	Unsold	Sold	Unsold	Totals
Villages of Langham Creek									
Section 1	234	41.51			0	0	234	0	234
Section 2	97	19.15			0	0	97	0	97
Section 3	148	29.66			0	0	148	0	148
Section 4	124	11.30			0	0	124	0	124
Section 5	16	1.20			0	0	16	0	16
Villages of Langham Creek Estates									
Section 1	120	21.71			0	0	120	0	120
Section 2	128	22.61			0	0	128	0	128
Totals	867	147.14	0	0	0	0	867	0	867

PRINCIPAL LANDOWNERS

The owner of the approximately 41.6 acre Blue Sky commercial tract of land located within the District is Blusky Interests, Ltd. Underground trunk components of the System and street paving have been constructed to the perimeter of such approximately 41.6 acre tract. The tract comprises a mixed use project that is planned for the development of commercial and multi-family residential projects. Initial above-ground improvements that have been constructed within the Blusky commercial tract consist of an approximately 14,736 square foot retail store, an approximately 5,300 square foot Capital One Bank, an approximately 2,524 square foot Regions Bank, an approximately 3,700 square foot Members Choice Credit Union, and an approximately 12,048 square foot restaurant.

Approximately 32.9 acres of currently undeveloped land located within the District are owned by Pulte Homes of Texas, L.P. ("Pulte"). According to Pulte, such approximately 32.9 acres are planned to be developed as 165 future single-family residential lots. Pulte has initiated the construction of detention facilities to serve the Pulte Tract and water, sewer and drainage facilities to serve Kingfield Drive. It is expected that such construction will be complete in approximately July, 2020. Since there is no legal commitment on the Pulte to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed.

An aggregate of approximately 15.0 acres of land located in the District are available for future development. Such remaining approximately 15.0 acres of currently undeveloped land located within the District are owned by multiple parties. Since none the owners of any of such other approximately 15.0 acres of currently undeveloped land has reported any definitive development plan to the District covering any of such acres, and since there is no legal commitment on the part of the owners of such land to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. See "TAX DATA - Principal 2019 Taxpayers," "FUTURE DEVELOPMENT" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

FUTURE DEVELOPMENT

In addition to Villages of Langham Creek, Sections 1 through 5, Villages of Langham Creek Estates, Sections 1 and 2, the approximately 2.2 acre commercial tract, the approximately 1.0 acre commercial tract, and the approximately 41.6-acre Blue Sky commercial tract that have been developed within the District as is described in this Official Statement, an approximately 32.9 acre tract of land located within the District known as the Pulte Tract and an aggregate of approximately 15.0 acres of land located in the District are available for future development. The Pulte Tract is expected to be developed into approximately 165 future single-family residential lots. Pulte has initiated the construction of detention facilities to serve the Pulte Tract and water, sewer and drainage facilities to serve Kingfield Drive. It is expected that such construction will be complete in approximately July, 2020. Such remaining approximately 15.0 acres of currently undeveloped land located within the District are owned by multiple parties. Since none of the owners of any of such other approximately 15.0 acres of currently undeveloped land has reported any definitive development plan to the District covering any of such acres, and since there is no legal commitment on the part of Pulte and the owners of such approximately 15 acres to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. Approximately 50.0 acres of land located within the District are owned by the Cypress-Fairbanks Independent School District on which it has constructed a middle school. See "TAX DATA - Principal 2019 Taxpayers," "DEVELOPMENT AND HOME CONSTRUCTION," "PRINCIPAL LANDOWNERS" and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments."

The District's Engineer currently estimates that the $18,965,000 authorized bonds which will remain unissued following the issuance of the Bonds, will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

THE SYSTEM

Regulation

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

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 324.74 acres is 1,829 with a total estimated equivalent population of 5,761 people. The following descriptions are based upon an estimate of 3.15 people/ESFC supplied by the District's Engineer.

Description

The System presently serves Villages of Langham Creek, Sections 1 through 5, Villages of Langham Creek Estates, Sections 1 and 2, the approximately 41.6-acre Blue Sky commercial tract, an additional approximately 2.2 acre commercial tract and an additional approximately 1.0 acre commercial tract. See “DEVELOPMENT AND HOME CONSTRUCTION.” The District previously financed the costs of acquiring or constructing the System, including drainage improvements to Langham Creek; a capital contribution to the Harris County Flood Control District for Langham Creek Improvements within Addicks Reservoir; installation costs related to an interim wastewater treatment plant and purchase of such wastewater treatment plant and an offsite lift station; the District’s pro rata share of land and construction costs for the Harris County Municipal Utility District No. 276 Water Plant; and water distribution, wastewater collection and storm facilities to serve the 867 fully-developed single-family residential lots that have been platted as Villages of Langham Creek, Sections 1 through 5 and Villages of Langham Creek Estates, Sections 1 and 2, the approximately 41.6-acre Blue Sky commercial tract, and the West Little York Commercial Corner located within the District, and other facilities, with portions of the proceeds of the sale of the Prior Bonds.

Water Supply

Permanent water supply for the District consists of groundwater from a water plant (“Water Plant No. 1”) located within Harris County Municipal Utility District No. 276 (“HCMUD 276") that the District shares with HCMUD No. 276. In addition, HCMUD 276 receives surface water from the Authority (hereinafter defined). The District financed its pro rata share of land and construction costs for Water Plant No. 1 with portions of the proceeds of the sale of the Prior Bonds. The District has entered into a “Water Supply Contract” dated October 7, 2000, as amended, pursuant to which the District owns 44.43% of the capacity of Water Plant No. 1. The District and HCMUD No. 276 also jointly own Water Plant No. 2, which is located within the boundaries of the District, in which the District owns 50% of the capacity. The District financed its pro rata share of land and construction costs of Water Plant No. 2 with portions of the proceeds of the sale of the Prior Bonds.

The aforementioned Water Plant No. 1 facilities that are owned by the District and HCMUD 276 consist of a 1,250 gallons-per-minute (“gpm”) water well and water plant which includes a 30,000 gallon pressure tank, a 500,000 gallon ground storage tank, and booster pumps totaling 3,656 gpm of capacity. According to the District's Engineer, such water supply facilities are capable of serving approximately 1,828 ESFCs and the District owns capacity for 812 ESFCs. The aforementioned Water Plant No. 2 facilities that are owned by the District and HCMUD 276 consist of a connection to the Authority’s (defined below) surface water supply line which supplies the District with 833,000 gallons-per-day per an agreement dated June 9, 2010. According to the District’s Engineer, the District’s share of such water supply facilities provides capacity for 965 ESFCs. The District's water distribution system is interconnected with the water distribution systems of HCMUD 276 and Jackrabbit Road Public Utility District to provide the districts with additional sources of water in the event of emergency.

Wastewater Treatment

The District owns and operates a 250,000 gallons per day ("gpd") wastewater treatment plant by which it provides wastewater treatment for the District. On November 15, 2017, the TCEQ approved a re-rating of the wastewater treatment plant from 300 gpd to 250 gpd per ESFC. Based on 250 gpd/ESFC, the interim wastewater treatment plant has capacity sufficient to serve 1,000 ESFCs. The District financed its cost of the wastewater treatment plant with portions of the proceeds of the sale of the Prior Bonds. Pursuant to a Waste Disposal Agreement dated February 17, 2006, as amended, between the District and Northwest Harris County Municipal Utility District No. 16 ("NWHCMUD 16"), the District has purchased 283 ESFCs of wastewater treatment capacity from NWHCMUD 16. According to the District's Engineer, such wastewater treatment facilities, including the purchased capacity from NWHCMUD 16, are capable of serving approximately 1,283 ESFCs in the District. The District will use a portion of the proceeds of the sale of the Bonds to construct a 375,000 gpd permanent Wastewater Treatment Plant, which is expected to be complete in approximately September 2021, and will replace the District's existing interim wastewater treatment plant. Upon completion, such wastewater treatment plant facilities are expected to be capable of serving approximately 1,500 ESFCs in the District, and the total wastewater treatment capacity of the District will be 1,783 ESFCs.

Drainage Improvements

Storm water within the District generally drains through underground lines to a drainage ditch then into Langham Creek. The District previously financed the District's pro rata share of the cost of regional drainage improvements to Langham Creek, impact fees for regional drainage to serve Villages of Langham Creek Estates, Section 1, and additional regional drainage improvements with a portion of the proceeds of the sale of the Prior Bonds.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is 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.

According to the District's Engineer, the Federal Emergency Management Flood Hazard Boundary Map currently in effect which covers the land located in the District indicates no area within the District as lying within the 100-year flood plain, except for 1.5 acres of the Blusky commercial tract and the Langham Creek channel itself.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas estimates for the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study, which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston"), to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP. The District currently receives 833,000 gallons-per-day of surface water from the Authority per an agreement dated June 9, 2010.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of $3.60 per 1,000 gallons of water delivered, and a fee of $3.20 per 1,000 gallons of groundwater pumped. It is anticipated that said fees will increase in the future. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand within the Authority's GRP beginning January 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority's GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning January 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a $9.24 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority's GRP. The Authority achieved the limitation required as of January 2010. In the event of such Authority's failure to comply with the increased limitations in future years, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "THE BONDS - Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be a costly and lengthy processes. See “Tax Collection Limitations” and “Registered Owners' Remedies and Bankruptcy” below and “THE BONDS - Source and Security for Payment” and - “Remedies in Event of Default.”

Economic Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, and (ii) commercial buildings that have been constructed within the District. The market value of such residences is related to general economic conditions affecting the demand for residences. Demand for residences of this type and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing or the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “PRINCIPAL LANDOWNERS” (i) the development of an aggregate of 867 single-family residential lots located within the District is complete on all 867 of which lots single-family homes have been constructed and sold to home purchasers, and (ii) the development of a total of approximately 45.5 acres of land located within the District that is expected to be utilized for commercial purposes has been completed on which to date retail buildings aggregating approximately 64,754 square feet of building area, including a retail shopping center, a retail store, Capital One Bank, Regions Bank, Members Choice Credit Union, a restaurant, and a Shell gasoline station have been constructed, the District cannot predict the pace or magnitude of any future development, home construction, or construction of future commercial buildings in the District other than that which has occurred to date.

National Economy: There has been a downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “PRINCIPAL LANDOWNERS,” (i) the development of an aggregate of 867 single-family residential lots located within the District is complete on all 867 of which lots single-family homes have been constructed and sold to home purchasers, and (ii) the development of a total of approximately 45.5 acres of land located within the District that is expected to be utilized for commercial purposes has been completed on which to date retail buildings aggregating approximately 64,754 square feet of building area, including a retail shopping center, a retail store, Capital One Bank, Regions Bank, Members Choice Credit Union, a restaurant, and a Shell gasoline station have been constructed, the District cannot predict the pace or magnitude of any future development or home construction or construction of future commercial buildings in the District. The District cannot predict what impact, if any, a downturn in the local housing market and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, of homebuilders to initiate the construction of new homes for sale or the construction of future commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or construction of future commercial buildings within the District. In addition, since the District is located approximately 20 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans or construction of future commercial buildings in the District and restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The ability of Blusky Interests, Ltd., Pulte (see "PRINCIPAL LANDOWNERS") and any other principal taxpayer to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of any developer or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity or the construction of future commercial buildings in the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "PRINCIPAL LANDOWNERS," and "FUTURE DEVELOPMENT."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be $1,119,638 (2040) and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds will be $1,019,877 (2021 through 2040, inclusive). The 2019 Assessed Valuation of property located within the District is $189,904,981. Assuming no increase to nor decrease from the 2019 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of $0.63 and $0.57 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The 2020 Preliminary Valuation of property located within the District supplied by the Appraisal District is $201,424,635. Assuming no increase to nor decrease from the 2020 Preliminary Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of $0.59 and $0.54 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax for 2019 of $0.46 per $100 of Assessed Valuation, plus a maintenance tax of $0.33 per $100 of Assessed Valuation. As the above calculations indicate, the 2019 debt service rate will not be sufficient to pay the average annual or the maximum annual debt service requirements on the Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2019 Assessed Valuation or the 2020 Preliminary Valuation, a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.82% of its 2009 through 2018 tax levies as of April 30, 2020, and its 2019 levy was 98.54% collected as of such date. Moreover, the District's Debt Service Fund balance is $1,465,135 as of May 15, 2020. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). Therefore, the District anticipates that it will be able to meet debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2019 - $0.46 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES." Increases in the District's tax rate to higher levels than the total $0.79 per $100 of Assessed Valuation that the District has levied for 2019 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2019 tax rate, is $2.9443 per $100 of Assessed Valuation. Such rate of $2.9443 per $100 of Assessed Valuation is higher than the total tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the total levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAX PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Remedies in Event of Default."

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Order the right to issue the remaining $18,965,000 in unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, and $22,440,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such $18,965,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. The District's Engineer currently estimates that the aforementioned $18,965,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the System that the District will finance with portions of the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"). See "THE BONDS - Issuance of Additional Debt."

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

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

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

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

Continuing Compliance with Certain Covenants

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

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Environmental Regulation

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

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

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

Air Quality Issues

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

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

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

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

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

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

Water Supply & Discharge Issues

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must also obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and 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 expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal became final on December 23, 2019.

On January 23, 2020, the EPA and USACE finalized a replacement definition of "waters of the United States." The proposed definition outlines the categories of waters that would be considered "waters of the United States," including traditional navigable waters, perennial and intermittent tributaries to those waters, certain lakes, ponds, and impoundments and wetlands adjacent to jurisdiction 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; groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; farm and stock watering ponds; and waste treatment systems. The new rule will become effective on June 22, 2020, and is currently the subject of ongoing litigation.

Due to the ongoing rulemaking activity and litigation, there remains 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 additional permitting requirements.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Tropical Weather Events

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, according to the District's Operator and Engineer, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District.

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

Specific Flood Type Risks

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

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

These negative impacts may reduce or negatively affect property values or homebuilding activity within the District. See "DEVELOPMENT AND HOME CONSTRUCTION" and "FUTURE DEVELOPMENT." The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition. See "SELECTED FINANCIAL INFORMATION" and "DISTRICT DEBT" for the District's current fund balances.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "TAX PROCEDURES," "THE DISTRICT - General," - "Strategic Partnership Agreement", and - "Management of the District - Bond Counsel and General Counsel," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

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

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

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriter 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 then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Tax Assessor/Collector, the Harris County Appraisal District, the Engineer, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information obtained from sources other than the District. The summaries of the statutes, resolutions, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the fiscal year ended September 30, 2019, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

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

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

GENERAL CONSIDERATIONS

Updating of Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," and in "APPENDIX B." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2020.

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 it 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 shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently September 30. Accordingly, it must provide updated information by March 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 166, as of the date shown on the first page hereof.

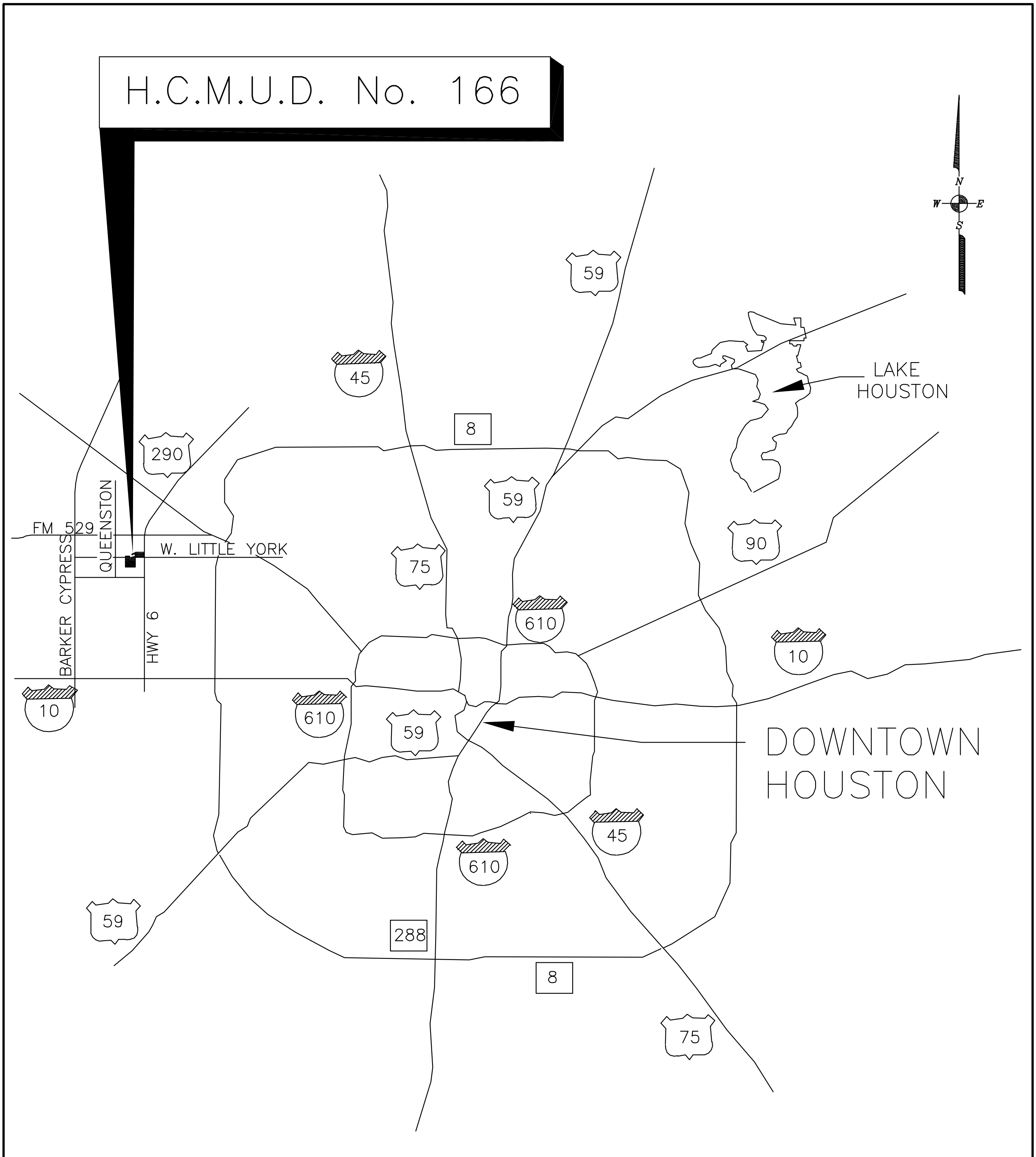
/s/ Richard Love
President, Board of Directors
Harris County Municipal Utility District No. 166

ATTEST:

/s/ Jim L. Owen
Secretary, Board of Directors
Harris County Municipal Utility District No. 166

APPENDIX A

LOCATION MAP



LOCATION MAP
HARRIS COUNTY M.U.D. No. 166

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 166
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 166 (the "District"), as of and for the year ended September 30, 2019, 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 Municipal Utility District No. 166

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 September 30, 2019, 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

January 17, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Management's discussion and analysis of Harris County Municipal Utility District No. 166's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. 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, if necessary, 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 expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

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"). 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, liabilities exceeded assets and deferred outflows of resources by $42,936 as of September 30, 2019. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 4,102,370	$ 3,758,089	$ 344,281
Capital Assets (Net of Accumulated Depreciation)	5,206,050	5,451,005	(244,955)
Total Assets	$ 9,308,420	$ 9,209,094	$ 99,326
Deferred Outflows of Resources	$ 597,546	$ 558,531	$ 39,015
Bonds Payable	$ 9,340,392	$ 9,528,985	$ 188,593
Other Liabilities	608,510	665,208	56,698
Total Liabilities	$ 9,948,902	$ 10,194,193	$ 245,291
Net Position:			
Net Investment in Capital Assets	$ (3,802,608)	$ (3,887,850)	$ 85,242
Restricted	834,816	845,236	(10,420)
Unrestricted	2,924,856	2,616,046	308,810
Total Net Position	$ (42,936)	$ (426,568)	$ 383,632

The following table provides a summary of the District's operations for the years ended September 30, 2019, and September 30, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,364,017	$ 1,357,643	$ 6,374
Charges for Services	860,918	848,062	12,856
Other Revenues	160,084	106,983	53,101
Total Revenues	$ 2,385,019	$ 2,312,688	$ 72,331
Expenses for Services	2,001,387	2,015,687	14,300
Change in Net Position	$ 383,632	$ 297,001	$ 86,631
Net Position, Beginning of Year	(426,568)	(723,569)	297,001
Net Position, End of Year	$ (42,936)	$ (426,568)	$ 383,632

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2019, were $3,717,322, an increase of $282,987 from the prior year.

The General Fund fund balance increased by $298,082, primarily due to property tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by $15,095, primarily due to the structure of the District's outstanding debt service requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $20,714 more than budgeted revenues primarily due to property taxes, sales tax rebates and investment revenues being higher than anticipated. Actual expenditures were $109,712 less than budgeted expenditures primarily due to lower than anticipated costs across most categories except utilities and repairs and maintenance costs.

CAPITAL ASSETS

Capital assets as of September 30, 2019, total $5,206,050 (net of accumulated depreciation) and include the water and wastewater systems. Significant capital outlay during the fiscal year included the fabrication and installation of the wastewater treatment plant trash chute.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 44,591	$ 44,591	$
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,994,112	2,100,662	(106,550)
Wastewater System	3,167,347	3,305,752	(138,405)
Total Net Capital Assets	$ 5,206,050	$ 5,451,005	$ (244,955)

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of $9,080,000. The changes in the debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

Bond Debt Payable, October 1, 2018	$ 9,395,000
Add: Refunding Bond Sale	4,645,000
Less: Bond Principal Paid/Refunded	4,960,000
Bond Debt Payable, September 30, 2019	$ 9,080,000

The District has underlying ratings of "BBB+" and "Baa1". The Series 2011 bonds carry insured ratings of "AA/A2", while Series 2012 and 2019 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2015 bonds carry an "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings reflect changes, if any, from the prior year.

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 Municipal Utility District No. 166, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 72,278	$ 91,573
Investments	2,946,436	743,625
Receivables:		
Property Taxes	12,145	20,479
Penalty and Interest on Delinquent Taxes		
Service Accounts	98,285	
Accrued Interest	2,836	1,181
Other	11,301	
Due from Other Funds	6,800	5,887
Joint Water Plant Operating Advance	67,510	
Joint Wastewater Treatment Plant Operating Advance	8,519	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 3,226,110	$ 862,745
DEFERRED OUTLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,226,110	$ 862,745

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

Total	Adjustments	Statement of Net Position
$ 163,851	$	$ 163,851
3,690,061		3,690,061
32,624		32,624
	10,657	10,657
98,285		98,285
4,017		4,017
11,301	15,545	26,846
12,687	(12,687)	
67,510		67,510
8,519		8,519
	44,591	44,591
	5,161,459	5,161,459
$ 4,088,855	$ 5,219,565	$ 9,308,420
$ -0-	$ 597,546	$ 597,546
$ 4,088,855	$ 5,817,111	$ 9,905,966

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 232,976	$ 4,859
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	5,887	6,800
Security Deposits	77,936	
Accrued Interest at Time of Sale		10,451
Long-Term Liabilities:		
Capital Appreciation Bonds Interest Payable		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 316,799	$ 22,110
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 12,145	$ 20,479
FUND BALANCES		
Nonspendable:		
Water Plant Operating Advance	$ 67,510	$
Wastewater Treatment Plant Operating Advance	8,519	
Restricted for Debt Service		820,156
Unassigned	2,821,137	
TOTAL FUND BALANCES	$ 2,897,166	$ 820,156
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,226,110	$ 862,745
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.

Total	Adjustments	Statement of Net Position
$ 237,835	$	$ 237,835
	26,927	26,927
	73,919	73,919
12,687	(12,687)	
77,936		77,936
10,451	(10,451)	
	191,893	191,893
	415,000	415,000
	8,925,392	8,925,392
$ 338,909	$ 9,609,993	$ 9,948,902
$ 32,624	$ (32,624)	$ -0-
$ 67,510	$ (67,510)	$
8,519	(8,519)	
820,156	(820,156)	
2,821,137	(2,821,137)	
$ 3,717,322	$ (3,717,322)	$ - 0 -
$ 4,088,855		
	$ (3,802,608)	$ (3,802,608)
	834,816	834,816
	2,924,856	2,924,856
	$ (42,936)	$ (42,936)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds			$ 3,717,322
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Bond insurance premiums are amortized over the life of the bonds in governmental activities.			15,545
Interest paid in advance as part of a refunding bond sale is recorded as deferred outflows of resources in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.			597,546
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.			5,206,050
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.			43,281
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:			
Due to Developer	$ (73,919)		
Accrued Interest Payable	(16,476)		
Capital Appreciation Bonds Interest Payable	(191,893)		
Bonds Payable	(9,340,392)		(9,622,680)
Total Net Position - Governmental Activities			$ (42,936)

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 574,610	$ 801,273
Water Service	199,347	
Wastewater Service	370,341	
Water Authority Fees	253,986	
Penalty and Interest	17,863	20,719
Sales Tax Rebate	48,607	
Investment and Miscellaneous Revenues	81,438	30,039
TOTAL REVENUES	$ 1,546,192	$ 852,031
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 107,251	$ 4,611
Contracted Services	303,233	23,602
Purchased Water Service	366,830	
Purchased Wastewater Service	32,920	
Utilities	29,161	
Repairs and Maintenance	275,830	
Depreciation		
Other	125,985	4,595
Capital Outlay	6,900	
Debt Service:		
Bond Issuance Costs		199,363
Bond Principal		375,000
Bond Interest		373,205
Payment to Refunded Bond Escrow Agent		92,000
TOTAL EXPENDITURES/EXPENSES	$ 1,248,110	$ 1,072,376
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 298,082	$ (220,345)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$	$ 4,645,000
Payment to Refunded Bond Escrow Agent		(4,584,060)
Bond Premium		144,310
TOTAL OTHER FINANCING SOURCES (USES)	$ -0-	$ 205,250
NET CHANGE IN FUND BALANCES	$ 298,082	$ (15,095)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2018	2,599,084	835,251
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2019	$ 2,897,166	$ 820,156

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

Total	Adjustments	Statement of Activities
$ 1,375,883	$ (11,866)	$ 1,364,017
199,347		199,347
370,341		370,341
253,986		253,986
38,582	(1,338)	37,244
48,607		48,607
111,477		111,477
$ 2,398,223	$ (13,204)	$ 2,385,019
$ 111,862	$	$ 111,862
326,835		326,835
366,830		366,830
32,920		32,920
29,161		29,161
275,830		275,830
	251,855	251,855
130,580		130,580
6,900	(6,900)	
199,363	(15,633)	183,730
375,000	(375,000)	
373,205	(81,421)	291,784
92,000	(92,000)	
$ 2,320,486	$ (319,099)	$ 2,001,387
$ 77,737	$ 305,895	$ 383,632
$ 4,645,000	$ (4,645,000)	$
(4,584,060)	4,584,060	
144,310	(144,310)	
$ 205,250	$ (205,250)	$ -0-
$ 282,987	$ (282,987)	$
	383,632	383,632
3,434,335	(3,860,903)	(426,568)
$ 3,717,322	$ (3,760,258)	$ (42,936)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Governmental Funds	$ 282,987
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.	(11,866)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(1,338)
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.	(251,855)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	6,900
The premium on bonds and bond insurance premiums are amortized over the life of the bonds in governmental activities and the current year amortized portion is recorded in the Statement of Activities.	(128,677)
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.	375,000
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.	81,421
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(4,645,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	4,676,060
Change in Net Position - Governmental Activities	$ 383,632

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

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 166 of Harris County, Texas (the "District") was created effective June 20, 1979, by an Order of the Texas Water Commission presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

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 long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated 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 financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has two governmental funds and considers each to be major funds.

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

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

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 collectible 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 collectible 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 September 30, 2019, the Debt Service Fund (Tax Fund) recorded a payable to the General Fund of $6,800 for maintenance tax collections and the General Fund recorded a payable to the Debt Service Fund of $5,887 for bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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. 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
Water System	10-45
Wastewater System	10-45

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.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has 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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

On November 6, 2018, an election was held within the District whereby District voters authorized the issuance of an additional $22,500,000 in bonds for the purposes of constructing or financing water, sanitary sewer, and drainage facilities and $22,500,000 in refunding bonds. As of September 30, 2019, the District had authorized but unissued bonds in the amount of $25,665,000 for the purpose of constructing or financing water, sanitary sewer, and drainage facilities and $22,440,000 in refunding bonds. 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.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2011	Refunding Series 2012
Amount Outstanding – September 30, 2019	$ 30,000	$ 710,000
Interest Rates	4.50%	3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020	September 1, 2020/2021
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2018*	September 1, 2019*

	Refunding Series 2015		
	Current Interest Bonds	Capital Appreciation Bonds	Refunding Series 2019
Amount Outstanding – September 30, 2019	$ 3,675,000	$ 20,000	$ 4,645,000
Interest Rates	3.00% - 4.00%	2.25% – 2.65%**	3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2035	September 1, 2020/2021	September 1, 2020/2035
Interest Payment Dates	March 1/ September 1	At Maturity	March 1/ September 1
Callable Dates	September 1, 2022*	Non-Callable**	September 1, 2024*

* Or any date thereafter, callable at par plus accrued interest to the date of redemption. Refunding Series 2015 term bonds maturing September 1, 2023, September 1, 2026, September 1, 2029, and September 1, 2032, are subject to mandatory redemption on September 1, 2022, September 1, 2024, September 1, 2027, and September 1, 2030, respectively. Refunding Series 2019 term bonds maturing September 1, 2035 are subject to mandatory redemption on September 1, 2031.

** Initial reoffering yield. The Refunding Series 2015 Capital Appreciation Bonds (CABs) are non-callable. The par value of the outstanding CABs is $20,000 and the maturity value is $220,000. Interest on these bonds will be paid at maturity. Accrued interest of $191,893 has been recorded as a liability in the Statement of Net Position.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2019:

	October 1, 2018	Additions	Retirements	September 30, 2019
Bonds Payable	$ 9,395,000	$ 4,645,000	$ 4,960,000	$ 9,080,000
Unamortized Discounts	(86,520)		(75,750)	(10,770)
Unamortized Premiums	220,505	144,310	93,653	271,162
Bonds Payable, Net	$ 9,528,985	$ 4,789,310	$ 4,977,903	$ 9,340,392

Amount Due Within One Year	$ 415,000
Amount Due After One Year	8,925,392
Bonds Payable, Net	$ 9,340,392

As of September 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 415,000	$ 401,061	$ 816,061
2021	425,000	387,300	812,300
2022	545,000	274,850	819,850
2023	560,000	258,500	818,500
2024	580,000	241,700	821,700
2025-2029	3,155,000	938,200	4,093,200
2030-2034	2,505,000	522,150	3,027,150
2035	895,000	35,150	930,150
	$ 9,080,000	$ 3,058,911	$ 12,138,911

During the year ended September 30, 2019, the District levied an ad valorem debt service tax rate of $0.46 per $100 of assessed valuation, which resulted in a tax levy of $794,368 on the adjusted taxable valuation of $172,688,561 for the 2018 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 7 for the maintenance tax levy. The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- 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 District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

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 certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $1,603,851 and the bank balance was $1,746,426. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 72,278	$ 960,000	$ 1,032,278
DEBT SERVICE FUND	91,573	480,000	571,573
TOTAL DEPOSITS	$ 163,851	$ 1,440,000	$ 1,603,851

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the Authority 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 Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority'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 Authority'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 Authority 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 Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS. The District's investments in certificates of deposit are recorded at acquisition cost. As of September 30, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 1,986,436	$ 1,986,436
Certificates of Deposit	960,000	960,000
DEBT SERVICE FUND		
Texas CLASS	263,625	263,625
Certificates of Deposit	480,000	480,000
TOTAL INVESTMENTS	$ 3,690,061	$ 3,690,061

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2019, the District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investments in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by typically 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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

	October 1, 2018	Increases	Decreases	September 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 44,591	$ - 0 -	$ - 0 -	$ 44,591
Capital Assets Subject to Depreciation				
Water System	$ 3,390,458	$	$	$ 3,390,458
Wastewater System	5,085,817	6,900		5,092,717
Total Capital Assets Subject to Depreciation	$ 8,476,275	$ 6,900	$ - 0 -	$ 8,483,175
Accumulated Depreciation				
Water System	$ 1,289,796	$ 106,550	$	$ 1,396,346
Wastewater System	1,780,065	145,305		1,925,370
Total Accumulated Depreciation	$ 3,069,861	$ 251,855	$ - 0 -	$ 3,321,716
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 5,406,414	$ (244,955)	$ - 0 -	$ 5,161,459
Total Capital Assets, Net of Accumulated Depreciation	$ 5,451,005	$ (244,955)	$ - 0 -	$ 5,206,050

NOTE 7. MAINTENANCE TAX

On November 3, 1981, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.50 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the current fiscal year, the District levied an ad valorem maintenance tax rate of $0.33 per $100 of assessed valuation, which resulted in a tax levy of $569,872 on the adjusted taxable valuation of $172,688,561 for the 2018 tax year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; 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 9. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and the Act, the City shall annex a tract or tracts of land for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The City imposes a Sales and Use Tax within the boundaries of the Tract 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 pays to the District an amount equal to one-half of all Sales and Use Tax revenues generated within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District received $48,607 in accordance with this agreement. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this agreement. The term of this agreement is 30 years from the effective date of the agreement.

NOTE 10. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions.

NOTE 11. WASTE DISPOSAL

The District owns and operates a 250,000 gallons per day, average daily flow, wastewater treatment plant. After being re-rated by the Commission, the plant can serve 1,000 equivalent single family connections ("ESFC").

On January 28, 1998, Northwest Harris County Municipal Utility District No. 16 (District No. 16) and Harris County Municipal Utility District No. 257 (District No. 257) entered into a 50-year contract for wastewater treatment. The contract was amended on February 17, 2006, to include the District as a party to the agreement and to reallocate plant capacity to serve certain areas of the District. On April 19, 2010, the District purchased additional capacity resulting in ownership of 9.01% capacity in the plant (capable of serving 283 ESFC). District No. 16 holds title to the plant and operates the plant for the benefit of the participants. Operating costs are shared based upon the pro rata share of capacity owned. During the current year, the District's share of operating costs was $32,920. As of September 30, 2019, the advance for wastewater treatment plant operations was $8,519.

The following summary financial information of the Plant is presented for the fiscal year ended June 30, 2019:

	Joint Venture
Total Assets	$ 157,433
Total Liabilities	157,038
Total Fund Balance	$ 395
Total Operating Revenues	$ 360,328
Total Operating Expenses	360,328
Net Change in Fund Balance	$ -0-
Fund Balance – July 1, 2018	395
Fund Balance – June 30, 2019	$ 395

NOTE 12. PERMANENT WATER SUPPLY

The District and Harris County Municipal Utility District No. 276 (District No. 276) entered into a permanent water supply agreement on April 7, 2000. The agreement was subsequently amended August 20, 2003, November 1, 2004, April 9, 2008, February 20, 2015, and most recently on May 19, 2017. Under the terms of the agreement, the districts have shared in the

NOTE 12. PERMANENT WATER SUPPLY (Continued)

costs of constructing two water plants, one within the boundaries of each district. The first water plant has been constructed in District No. 276, with the District paying 44.43% of the costs. District No. 276 is responsible for operations of water plant no. 1. Water plant no. 2 has been constructed in the District, with the District paying 50% of costs and owning 50% of the capacity of water plant no. 2. The District is responsible for operations of water plant no. 2. During the current fiscal year, the District incurred operating costs of $366,830. As of September 30, 2019, the advance for water plant operations was $67,510.

The most recent amendment added two additional points of interconnect between the water distribution systems of the districts. The District's share of construction costs and future maintenance costs of these additional interconnects is 33.3%. District No. 276 is responsible for operation and maintenance of the additional interconnects.

The following summary financial information of the Plant is presented for the year ended August 31, 2019:

	Joint Venture
Total Assets	$ 305,705
Total Liabilities	106,587
Total Fund Balance	$ 199,118
Total Operating Revenues	$ 1,071,382
Total Operating Expenses	1,071,382
Excess (Deficiency) of Revenues Over Expenditures	$ - 0 -
Other Financing Sources (Uses) Increase in Operating Reserve	$ 19,170
Net Change in Fund Balance	$ 19,170
Fund Balance - September 1, 2018	179,948
Fund Balance - August 31, 2019	$ 199,118

NOTE 13. REFUNDING BOND SALE

On August 28, 2019, the District closed on the sale of its $4,645,000 Unlimited Tax Refunding Bonds, Series 2019. Proceeds of the bonds were used to redeem, prior to stated maturities, a portion of the Series 2011 Bonds in the amount of $805,000, with maturities of 2021-2035, interest rates of 4.00% - 4.50% and a redemption date of August 29, 2019. Proceeds were also used to redeem, prior to stated maturities, a portion of the Series 2012 Refunding Bonds in the amount of $3,780,000, with maturities of 2022-2030, interest rates of 3.00% - 4.00%, and a redemption date of September 1, 2019. The refunding resulted in gross debt service savings of $330,424 and net present value savings of $256,541.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 551,561	$ 574,610	$ 23,049
Water Service	203,000	199,347	(3,653)
Wastewater Service	369,400	370,341	941
Water Authority Fees	282,031	253,986	(28,045)
Penalty and Interest	17,257	17,863	606
Sales Tax Rebate	38,689	48,607	9,918
Investment and Miscellaneous Revenues	63,540	81,438	17,898
TOTAL REVENUES	$ 1,525,478	$ 1,546,192	$ 20,714
EXPENDITURES			
Services Operations:			
Professional Fees	$ 141,720	$ 107,251	$ 34,469
Contracted Services	306,428	303,233	3,195
Purchased Water Service	389,309	366,830	22,479
Purchased Wastewater Service	47,972	32,920	15,052
Utilities	28,581	29,161	(580)
Repairs and Maintenance	259,208	275,830	(16,622)
Other	134,604	125,985	8,619
Capital Outlay	50,000	6,900	43,100
TOTAL EXPENDITURES	$ 1,357,822	$ 1,248,110	$ 109,712
NET CHANGE IN FUND BALANCE	$ 167,656	$ 298,082	$ 130,426
FUND BALANCE - OCTOBER 1, 2018	2,599,084	2,599,084	
FUND BALANCE - SEPTEMBER 30, 2019	$ 2,766,740	$ 2,897,166	$ 130,426

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

X	Retail Water		Wholesale Water		Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		Security
X	Solid Waste/Garbage		Flood Control		Roads
X	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 3/4" METER (OR EQUIVALENT):

Based on the rate order effective February 1, 2019.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 14.03	10,000	N	$ 0.93	10,001 to 25,000
				$ 1.18	25,001 and up
WASTEWATER:	$ 33.41		Y		
SURCHARGE:					
RWA Fees			N	$ 3.35	For each 1,000

District employs winter averaging for wastewater usage?

Yes	No
	X

Total monthly charges per 10,000 gallons usage: Water: $14.03 Wastewater: $33.41 Surcharge: $33.50

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"	862	857	x 1.0	857
1"	12	12	x 2.5	30
1½"	10	10	x 5.0	50
2"	8	8	x 8.0	64
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	893	888		1,026
Total Wastewater Connections	877	872	x 1.0	872

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

The District shares water facilities with Harris County Municipal Utility District No. 276 (see Note 12). The District billed its customers for 77,360,000 gallons of water. Water accountability for the entire system is approximately 93%.

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 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 extraterritorial jurisdiction (ETJ)?

Entirely _X_ Partly _______ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No _X_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROFESSIONAL FEES:	
Auditing and Other Services	$ 16,500
Engineering	35,929
Legal	54,822
TOTAL PROFESSIONAL FEES	$ 107,251
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	$ 366,830
Purchased Wastewater Service	32,920
TOTAL PURCHASED SERVICES FOR RESALE	$ 399,750
CONTRACTED SERVICES:	
Bookkeeping	$ 26,036
Operations and Billing	69,338
Solid Waste Disposal	207,859
TOTAL CONTRACTED SERVICES	$ 303,233
UTILITIES	$ 29,161
REPAIRS AND MAINTENANCE	$ 275,830
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	$ 10,496
Bond Election Costs	25,862
Insurance	11,742
Office Supplies and Postage	6,077
Other	9,077
TOTAL ADMINISTRATIVE EXPENDITURES	$ 63,254
CAPITAL OUTLAY	$ 6,900
OTHER EXPENDITURES:	
Chemicals	$ 2,483
Laboratory Fees	19,474
Permit Fees	3,460
Inspection and Reconnection Fees	6,680
Regulatory Assessment	2,758
Sludge Hauling	27,876
TOTAL OTHER EXPENDITURES	$ 62,731
TOTAL EXPENDITURES	$ 1,248,110

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
INVESTMENTS
SEPTEMBER 30, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 1,986,436	$
Certificate of Deposit	XXXX3722	2.75%	07/28/20	240,000	1,139
Certificate of Deposit	XXXX2398	2.15%	05/17/20	240,000	566
Certificate of Deposit	XXXX0794	2.20%	06/16/20	240,000	579
Certificate of Deposit	XXXX7835	2.10%	08/20/20	240,000	552
TOTAL GENERAL FUND				$ 2,946,436	$ 2,836
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 263,625	$
Certificate of Deposit	XXXX7478	2.75%	08/25/20	240,000	633
Certificate of Deposit	XXXX0658	2.45%	08/26/20	240,000	548
TOTAL DEBT SERVICE FUND				$ 743,625	$ 1,181
TOTAL - ALL FUNDS				$ 3,690,061	$ 4,017

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2018	$ 16,962		$ 27,528	
Adjustments to Beginning Balance	(79)	$ 16,883	(144)	$ 27,384
Original 2018 Tax Levy	$ 546,033		$ 761,138	
Adjustment to 2018 Tax Levy	23,839	569,872	33,230	794,368
TOTAL TO BE ACCOUNTED FOR		$ 586,755		$ 821,752
TAX COLLECTIONS:				
Prior Years	$ 9,069		$ 12,943	
Current Year	565,541	574,610	788,330	801,273
TAXES RECEIVABLE - SEPTEMBER 30, 2019		$ 12,145		$ 20,479
TAXES RECEIVABLE BY YEAR:				
2018		$ 4,331		$ 6,038
2017		1,775		2,474
2016		1,446		2,147
2015		548		897
2014		1,006		1,829
2013		846		1,538
2012		865		1,574
2011		656		1,967
2010		336		1,007
2009		336		1,008
TOTAL		$ 12,145		$ 20,479

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	$ 48,730,905	$ 48,529,769	$ 47,097,908	$ 46,516,952
Improvements	149,507,370	148,693,402	141,731,746	137,070,037
Personal Property	2,932,803	3,828,167	3,701,761	4,760,880
Exemptions	(28,482,517)	(28,405,317)	(28,418,551)	(32,258,977)
TOTAL PROPERTY VALUATIONS	$ 172,688,561	$ 172,646,021	$ 164,112,864	$ 156,088,892
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.46	$ 0.46	$ 0.49	$ 0.54
Maintenance	0.33	0.33	0.33	0.33
TOTAL TAX RATES PER $100 VALUATION	$ 0.79	$ 0.79	$ 0.82	$ 0.87
ADJUSTED TAX LEVY*	$ 1,364,240	$ 1,363,903	$ 1,345,726	$ 1,357,973
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.24 %	99.69 %	99.73 %	99.89 %

* 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 $0.50 per $100 of assessed valuation approved by voters on November 3, 1981.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	SERIES-2011		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 30,000	$ 1,350	$ 31,350
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	$ 30,000	$ 1,350	$ 31,350

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	SERIES-2012 REFUNDING		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 350,000	$ 21,300	$ 371,300
2021	360,000	10,800	370,800
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	$ 710,000	$ 32,100	$ 742,100

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	SERIES-2015 REFUNDING		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 10,000	$ 237,900	$ 247,900
2021	10,000	237,900	247,900
2022	110,000	137,900	247,900
2023	110,000	134,600	244,600
2024	115,000	131,300	246,300
2025	110,000	127,850	237,850
2026	115,000	124,550	239,550
2027	115,000	121,100	236,100
2028	120,000	117,650	237,650
2029	115,000	114,050	229,050
2030	125,000	110,600	235,600
2031	120,000	105,600	225,600
2032	120,000	100,800	220,800
2033	770,000	96,000	866,000
2034	800,000	65,200	865,200
2035	830,000	33,200	863,200
	$ 3,695,000	$ 1,996,200	$ 5,691,200

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	SERIES - 2019 REFUNDING		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	$ 25,000	$ 140,511	$ 165,511
2021	55,000	138,600	193,600
2022	435,000	136,950	571,950
2023	450,000	123,900	573,900
2024	465,000	110,400	575,400
2025	480,000	96,450	576,450
2026	495,000	82,050	577,050
2027	520,000	67,200	587,200
2028	530,000	51,600	581,600
2029	555,000	35,700	590,700
2030	345,000	19,050	364,050
2031	55,000	8,700	63,700
2032	55,000	7,050	62,050
2033	55,000	5,400	60,400
2034	60,000	3,750	63,750
2035	65,000	1,950	66,950
	$ 4,645,000	$ 1,029,261	$ 5,674,261

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	$ 415,000	$ 401,061	$ 816,061
2021	425,000	387,300	812,300
2022	545,000	274,850	819,850
2023	560,000	258,500	818,500
2024	580,000	241,700	821,700
2025	590,000	224,300	814,300
2026	610,000	206,600	816,600
2027	635,000	188,300	823,300
2028	650,000	169,250	819,250
2029	670,000	149,750	819,750
2030	470,000	129,650	599,650
2031	175,000	114,300	289,300
2032	175,000	107,850	282,850
2033	825,000	101,400	926,400
2034	860,000	68,950	928,950
2035	895,000	35,150	930,150
	$ 9,080,000	$ 3,058,911	$ 12,138,911

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Description	Original Bonds Issued	Bonds Outstanding October 1, 2018
Harris County Municipal Utility District No. 166 Unlimited Tax Bonds - Series 2011	$ 1,000,000	$ 865,000
Harris County Municipal Utility District No. 166 Unlimited Tax Refunding Bonds - Series 2012	6,110,000	4,825,000
Harris County Municipal Utility District No. 166 Unlimited Tax Refunding Bonds - Series 2015	3,780,000	3,705,000
Harris County Municipal Utility District No. 166 Unlimited Tax Refunding Bonds - Series 2019	4,645,000	
TOTAL	$ 15,535,000	$ 9,395,000

Bond Authority:	Tax Bonds	Refunding Tax Bonds
Amount Authorized by Voters	$ 40,060,000	$ 22,500,000
Amount Issued	14,395,000	60,000
Remaining to be Issued	$ 25,665,000	$ 22,440,000

Debt Service Fund cash and investment balances as of September 30, 2019:	$ 835,198
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 758,682

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

See accompanying independent auditor's report.

Bonds Sold	Retirements: Principal	Retirements: Interest	Bonds Outstanding September 30, 2019	Paying Agent
$	$ 835,000	$ 20,230	$ 30,000	Wells Fargo Bank of Texas, N.A. Fort Worth, TX
	4,115,000	105,075	710,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	10,000	247,900	3,695,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
4,645,000			4,645,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 4,645,000	$ 4,960,000	$ 373,205	$ 9,080,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 574,610	$ 563,104	$ 537,785
Water Service	199,347	203,666	188,039
Wastewater Service	370,341	363,053	349,100
Water Authority Fees	253,986	252,830	222,863
Penalty and Interest	17,863	16,964	24,009
Sales Tax Rebate	48,607	39,673	45,739
Investment and Miscellaneous Revenues	81,438	49,425	34,961
TOTAL REVENUES	$ 1,546,192	$ 1,488,715	$ 1,402,496
EXPENDITURES			
Professional Fees	$ 107,251	$ 136,313	$ 122,608
Contracted Services	303,233	300,828	293,510
Purchased Services	399,750	417,581	364,344
Utilities	29,161	28,946	29,217
Repairs and Maintenance	275,830	326,644	161,496
Other	125,985	117,087	73,649
Capital Outlay	6,900	194,086	13,290
TOTAL EXPENDITURES	$ 1,248,110	$ 1,521,485	$ 1,058,114
NET CHANGE IN FUND BALANCE	$ 298,082	$ (32,770)	$ 344,382
BEGINNING FUND BALANCE	2,599,084	2,631,854	2,287,472
ENDING FUND BALANCE	$ 2,897,166	$ 2,599,084	$ 2,631,854

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 514,984	$ 471,482	37.1 %	37.8 %	38.3 %	37.9 %	36.4 %
184,749	198,467	12.9	13.7	13.4	13.7	15.3
351,495	353,130	24.0	24.4	24.9	26.0	27.2
200,138	210,037	16.4	17.0	15.9	14.8	16.2
11,620	12,728	1.2	1.1	1.7	0.9	1.0
26,780	20,049	3.1	2.7	3.3	2.0	1.5
63,164	31,349	5.3	3.3	2.5	4.7	2.4
$ 1,352,930	$ 1,297,242	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 119,179	$ 104,345	6.9 %	9.2 %	8.7 %	8.8 %	8.0 %
287,152	277,512	19.6	20.2	20.9	21.2	21.4
334,752	343,500	25.9	28.0	26.0	24.7	26.5
35,422	36,763	1.9	1.9	2.1	2.6	2.8
172,032	126,602	17.8	21.9	11.5	12.7	9.7
98,157	89,162	8.1	7.9	5.3	7.3	6.9
181,399	343,758	0.4	13.0	1.0	13.4	26.5
$ 1,228,093	$ 1,321,642	80.6 %	102.1 %	75.5 %	90.7 %	101.8 %
$ 124,837	$ (24,400)	19.4 %	(2.1) %	24.5 %	9.3 %	(1.8) %
2,162,635	2,187,035					
$ 2,287,472	$ 2,162,635					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 801,273	$ 786,432	$ 798,707
Penalty and Interest	20,719	10,879	5,777
Investment and Miscellaneous Revenues	30,039	17,885	6,831
TOTAL REVENUES	$ 852,031	$ 815,196	$ 811,315
EXPENDITURES			
Tax Collection Expenditures	$ 31,008	$ 29,176	$ 25,979
Debt Service Principal	375,000	355,000	455,000
Debt Service Interest and Fees	375,005	476,735	378,985
Bond Issuance Costs	199,363		
Payment to Refunded Bond Escrow Agent	92,000		
TOTAL EXPENDITURES	$ 1,072,376	$ 860,911	$ 859,964
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (220,345)	$ (45,715)	$ (48,649)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$ 4,645,000	$	$
Payment to Refunded Bond Escrow Agent	(4,584,060)		
Bond Premium	144,310		
TOTAL OTHER FINANCING SOURCES (USES)	$ 205,250	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (15,095)	$ (45,715)	$ (48,649)
BEGINNING FUND BALANCE	835,251	880,966	929,615
ENDING FUND BALANCE	$ 820,156	$ 835,251	$ 880,966
TOTAL ACTIVE RETAIL WATER CONNECTIONS	888	882	884
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	872	867	870

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 843,650	$ 857,368	94.1 %	96.5 %	98.5 %	98.6 %	98.1 %
5,933	11,613	2.4	1.3	0.7	0.7	1.3
6,370	5,565	3.5	2.2	0.8	0.7	0.6
$ 855,953	$ 874,546	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 25,982	$ 30,501	3.6 %	3.6 %	3.2 %	3.0 %	3.5 %
400,000	225,000	44.0	43.5	56.1	46.7	25.7
435,885	591,836	44.0	58.5	46.7	50.9	67.7
	186,377	23.4				21.3
		10.8				
$ 861,867	$ 1,033,714	125.8 %	105.6 %	106.0 %	100.6 %	118.2 %
$ (5,914)	$ (159,168)	(25.8) %	(5.6) %	(6.0) %	(0.6) %	(18.2) %
$	$ 3,780,000					
	(4,249,982)					
	649,425					
$ - 0 -	$ 179,443					
$ (5,914)	$ 20,275					
935,529	915,254					
$ 929,615	$ 935,529					
882	876					
868	865					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

District Mailing Address - Harris County Municipal Utility District No. 166
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd., Suite 1400
Houston, TX 77056

District Telephone Number - (713) 623-4531

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2019	Expense Reimbursements for the year ended September 30, 2019	Title
Richard Love	05/2016 05/2020 (Elected)	$ 2,550	$ 517	President
Nano P. Cox	05/2018 05/2022 (Elected)	$ 2,250	$ 24	Vice President
Jim Owen	05/2018 05/2022 (Elected)	$ 1,800	$ -0-	Secretary
Tom C. Knickerbocker	05/2018 05/2022 (Elected)	$ 1,650	$ -0-	Assistant Secretary
Lisa Mendel	05/2016 05/2020 (Elected)	$ 1,500	$ -0-	Assistant Secretary

Notes: 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 developers or with any of the District's consultants.

Submission date of most recent District Registration Form: August 21, 2019.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on August 15, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 166
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

Consultants:	Date Hired	Fees for the year ended September 30, 2019	Title
Schwartz, Page & Harding, L.L.P.	02/17/81	$ 73,312	General Counsel
		$ 38,057	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/18/09	$ 16,000	Auditor
		$ 2,000	Other Services
Municipal Accounts & Consulting, L.P.	10/01/94	$ 29,481	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/14/97	$ 4,611	Delinquent Tax Attorney
IDS Engineering Group	05/18/01	$ 50,991	Engineer
Rathmann & Associates, L.P.	04/25/03	$ 59,563	Financial Advisor
Inframark Water & Infrastructure Services, LLC	09/29/00	$ 372,792	Operator
Bob Leared Interest, Inc.	05/06/92	$ 17,620	Tax Assessor/ Collector
Mark Burton	08/01/02	$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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

Form 500NY (5/90)