OFFICIAL STATEMENT DATED AUGUST 12, 2020

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

The Bonds (herein defined) are designated as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry Only **Moody's Investors Service, Inc. (Underlying).......“A1”**
See "RATINGS"

$7,780,000

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

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

UNLIMITED TAX REFUNDING BONDS

SERIES 2020

The $7,780,000 Harris County Improvement District No. 18 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are obligations of Harris County Improvement District No. 18 (the "District") and are not obligations of the State of Texas ("Texas"); Harris County, Texas (the "County"); the City of Houston, Texas (the "City"); or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of Texas; the County, the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Dated: September 1, 2020 **Due: September 1, as shown on the inside cover**

Interest on the Bonds accrues from September 1, 2020, and is payable March 1, 2021, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds are being issued in fully registered form in integral multiples of $5,000 of principal amount.

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

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

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purposes of either acquiring or constructing a water, sewer and drainage system to serve the District or for refunding such bonds. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The proceeds of the Bonds will be applied, together with lawfully available funds, to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds in order to achieve gross and net present value savings in the District's annual debt service expense. See "PLAN OF FINANCING – Sources and Uses of Funds."

THE BONDS ARE SUBJECT TO INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter (herein defined), subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 17, 2020.

SAMCO CAPITAL MARKETS, INC.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS

$7,780,000 Unlimited Tax Refunding Bonds, Series 2020

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)
2021	$ 335,000	3.000%	0.500%	LF8	2030 (c)	$ 475,000	2.000%	1.840%	LQ4
2022	350,000	3.000%	0.550%	LG6	2031 (c)	485,000	2.000%	1.970%	LR2
2023	365,000	3.000%	0.620%	LH4	2032 (c)	500,000	2.000%	2.030%	LS0
2024	385,000	3.000%	0.750%	LJ0	2033 (c)	515,000	2.000%	2.110%	LT8
2025	405,000	2.750%	0.880%	LK7	2034 (c)	530,000	2.000%	2.160%	LU5
2026 (c)	415,000	2.000%	1.060%	LL5	2035 (c)	545,000	2.000%	2.200%	LV3
2027 (c)	430,000	2.000%	1.260%	LM3	2036 (c)	565,000	2.000%	2.240%	LW1
2028 (c)	440,000	2.000%	1.410%	LN1	2037 (c)	585,000	2.000%	2.280%	LX9
2029 (c)	455,000	2.000%	1.570%	LP6					

(a) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter. Accrued interest from June 1, 2020, to the date of delivery of the Bonds is to be added to the price.

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

(c) The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after September 1, 2026, in whole or from time to time in part, on September 1, 2025, and on any date thereafter at a price of par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, 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 Bond Counsel upon payment of duplication costs, for further information.

This Official Statement is not to be used 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.

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

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (the "Underwriter") has agreed to purchase the Bonds from the District for $7,825,433.97 (being the par amount of the Bonds, plus an original issue premium on the Bonds of $107,276.65, less an Underwriter's discount of $61,842.68), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

The following statement is provided by the Underwriter. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

Delivery of Official Statements

The District shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of the SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Underwriter. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may reasonably request prior to the 90th day after the end of the underwriting period described in the Rule. The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Underwriter and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE

The District did not make an application for a commitment for municipal bond insurance on the Bonds. Furthermore, it was not expected that the District would have been successful in qualifying for municipal bond insurance on the Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's) has assigned an underlying municipal bond credit rating of "A1" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Improvement District No. 18 (the "District"), a political subdivision of the State of Texas ("Texas"), located in Harris County, Texas (the "County"). See "THE DISTRICT."
The Issue	The $7,780,000 Harris County Improvement District No. 18 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"), are dated September 1, 2020, and bear interest at the rates set forth on the inside cover of this Official Statement. The Bonds are scheduled to mature on September 1, 2021, through September 1, 2037. Interest accrues from September 1, 2020, and is payable March 1, 2021, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."
Book-Entry Only	The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."
Source of Payment	The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Texas; the County; the City of Houston, Texas (the "City"); or any political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purposes of either acquiring or constructing a water, sewer and drainage system to serve the District (the "System") or for refunding such bonds. Voters in the District have authorized a total of $637,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing the System or for refunding such bonds. Following the issuance of the Bonds, $504,760,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing the System or for refunding such bonds will remain authorized and unissued. In addition, voters in the District have also authorized a total of: $315,600,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing park and recreational facilities to serve the District or for refunding such bonds; $15,100,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing firefighting facilities to serve the District or for refunding such bonds; $128,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing public parking facilities to serve the District or for refunding such bonds; $48,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or

constructing economic developments to serve the District or for refunding such bonds; and $11,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing transit facilities to serve the District and for refunding such bonds. See "THE BONDS – Issuance of Additional Debt."

Voters in the District located in the Defined Area (herein defined) have authorized $1,177,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. See "THE BONDS – Issuance of Additional Debt" and "THE DEFINED AREA."

The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution"); an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code; certain provisions of Chapter 375 of the Texas Local Government Code; Chapter 1207 of the Texas Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution. See "THE BONDS – Authority for Issuance."

Use of Proceeds .... A portion of the proceeds of the Bonds will be applied to currently refund $7,615,000 principal amount of the Series 2013 Bonds (herein defined) (the "Refunded Bonds") and to pay administrative and issuance costs related to the issuance of the Bonds. The refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING – Use of Proceeds."

Remaining Outstanding Bonds .... The District has previously issued: $9,165,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); $55,650,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"); 22,020,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); $16,250,000 Unlimited Tax Park Bonds, Series 2015 (the "Series 2015 Park Bonds"); $38,000,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); $7,240,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"); and $1,950,000 Unlimited Tax Park Bonds, Series 2019 (the "Series 2019 Park Bonds"). At September 1, 2020, $130,520,000 principal amount of such previously issued debt will remain outstanding.

Following the delivery of the Bonds, exclusive of the Refunded Bonds, $122,905,000 principal amount of such previously issued debt will remain outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds" and "PLAN OF FINANCING – Remaining Outstanding Bonds."

The District has also issued and has bonds outstanding for the Defined Area. See "THE DEFINED AREA."

Municipal Bond Insurance .... The District did not make an application for a commitment for municipal bond insurance on the Bonds. Furthermore, it was not expected that the District would have been successful in qualifying for municipal bond insurance on the Bonds. See "MUNICIPAL BOND INSURANCE."

Ratings .... Moody's Investors Service, Inc. has assigned an underlying municipal bond credit rating of "A1" to the Bonds. See "RATINGS."

Qualified Tax-Exempt Obligations	The Bonds are designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
General and Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Underwriter's Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	Halff Associates, Inc., Houston, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Houston Texas.
Verification Agent	Robert Thomas CPA LLC, Minneapolis, Minnesota.

THE DISTRICT

The Issuer	The District was created in 2009 under Section 59, Article XVI, and Sections 52 and 52-a, Article III, Texas Constitution by Senate Bill 2510 of the Texas Legislature, 81st Regular Session, effective November 3, 2009, as codified in Chapter 3879 of the Texas Special District Local Laws Code. The District operates pursuant to Chapter 3879 of the Texas Special District Local Laws Code; certain provisions of Chapter 375 of the Texas Local Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 1,886.8 acres and is located entirely within the County and entirely within the extraterritorial jurisdiction of the City. See "THE DISTRICT – General."
Location	The District is located in the northern part of the County, approximately 24 miles north of the downtown of the City and approximately 2 miles south of The Woodlands, Texas, a 28,000-acre master-planned community. The District is generally bordered on the north by Spring Creek, on the east by Interstate Highway 45 and on the south by Spring Stuebner Road. See "THE DISTRICT – Location."
Defined Area No. 1	On August 24, 2011, the Board of Directors of the District designated approximately 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which the ExxonMobil Corporation ("ExxonMobil") operates a corporate campus (approximately 385.10 acres). The District created the Defined Area to finance public roads and related improvements within the Defined Area, for which the District has sold unlimited tax road bonds, and intends to sell additional unlimited tax road bonds, supported by the taxable value only within the Defined Area. There is only one defined area created within the District. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. As of August 1, 2020, the District has issued $35,460,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. At September 1, 2020, $32,805,000 principal amount of such previously issued debt will remain outstanding. See "THE DEFINED AREA," "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

Agreement with the County	On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads in the Defined Area and certain park improvements within the District. The Agreement obligates the County to rebate up to $82,000,000 plus interest to the District to finance these improvements. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to any bond issue and there is no assurance the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2019, is $34,311,282 in principal, plus accrued interest calculated at a rate of 6% per annum. As of December 31, 2019, the County has rebated a total of $17,507,865 to the District. See "THE DISTRICT – Economic Development Agreement with the County," "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."
The Principal Developer	The District is being developed as the master-planned, mixed-use community known as "Springwoods Village." The first developer of land in the District was Springwoods Realty Company ("SRC"). On December 31, 2014, SRC had a corporate reorganization and was subsequently dissolved and approximately 725.98 acres were transferred to Springwoods Realty, Inc. ("SRI" or the "Principal Developer"). SRI currently is the principal landowner by acreage within the District. An additional 78 acres, previously owned by SRC, are owned by several other development companies. CDC Houston, Inc. ("CDC"), a subsidiary of Coventry Development Corp. ("Coventry"), a New York corporation, manages a majority of the development companies that own the former SRC assets, including SRI, pursuant to certain asset management and development agreements (the "CDC Managed Entities"). Coventry is a national developer of master-planned communities in Colorado, Florida and Texas. As the Principal Developer, SRI has funded the development of certain major facilities to serve the District, with the intention of selling tracts of land to other developers (the "Other Developers") which will be responsible for providing the infrastructure for their tract or tracts to commercial entities for construction of businesses. SRI does not sell improved lots. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Principal Landowners' Obligations to the District," "THE PRINCIPAL DEVELOPER," "THE OTHER DEVELOPERS/LANDOWNER" and "TAX DATA – Principal Taxpayers."
The Other Developers/Landowners	In December 2008, SRC sold approximately 386 acres to Palmetto Transoceanic, LLC, an affiliate of ExxonMobil, which is a publicly-traded company. ExxonMobil has completed construction of a corporate campus which includes 23 individual buildings, totaling approximately 4,000,000 square feet, which provide workspace for approximately 10,000 employees. ExxonMobil, which did not participate in the preparation of this Official Statement, is a publicly traded company whose regulation statements, periodic reports and other publicly available financial information are available at the United States Securities and

Exchange Commission's EDGAR website at http://www.sec.gov/edgar.shtml.

In December 2012, SRC sold approximately 25.62 acres to A.W. Realty Company, an affiliate of Southwestern Energy ("SWE"). SWE has constructed the first phase of its corporate headquarters with a 515,000 square foot office building on a portion of this land. The campus provides workspace for approximately 1,500 people. In July 2019, Spear Street Capital ("Spear Street") acquired the 25.62 acres. SWE continues to lease its office space. Leasing efforts continue for the remaining space currently unoccupied. Spear Street has not announced plans to construct on the vacant portion of this land.

The joint venture comprised of the CDC Managed Entities and Regency Centers Corporation have developed phase 1 of The Market at Springwoods Village ("The Market") on approximately 31 acres within the District. Phase 1 of The Market is anchored by a 100,000 square feet Kroger grocery store. In addition to Kroger, phase 1 includes approximately 60,000 square feet of retail shops and restaurants including Torchy's Tacos, Chick-Fil-A, Zoe's Kitchen, B Good, Banfield Pet Hospital, Tarka Indian Kitchen, MOD Pizza, Natural Pawz, Jinya Ramen Bar, Frost Bank, Regions Bank and various smaller tenants. Phase 2 of The Market is planned to be developed on approximately 21 acres adjacent to phase 1, of which pre-leasing is currently underway. The timing of the construction of phase 2 has not yet been finalized.

In May 2016, the CDC Managed Entities finalized a joint venture with Patrinely Group LLC and USAA Real Estate Company for the first phase of development of a 60-acre mixed use urban center in Springwoods Village known as CityPlace. The buildings in CityPlace are planned to feature ground-level retail with office space above. The development of 475,000 square feet of office space, including CityPlace 1 (a 150,000 square-foot office building) and 50,000 square feet of retail space, have been completed in CityPlace to-date. See "THE OTHER DEVELOPERS/LANDOWNERS."

Development Within the District .... The District has developed all of the major infrastructure which serves Springwoods Village and the ExxonMobil corporate campus. SRI has been reimbursed for the costs of public infrastructure funded by SRI from surplus operating funds, bonds issued by the District and from revenues from the County pursuant to the Agreement.

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

Approximately 25.62 acres fronting Interstate Highway 45 has been developed into a corporate headquarters campus for SWE. The first phase of the campus totaling approximately 515,000 square feet of office space is complete, which is estimated to provide workspace for approximately 1,500 employees. In July 2019, Spear Street acquired the 25.62 acres. SWE continues to lease its office space. Leasing efforts continue for the remaining space currently unoccupied. Spear Street has not announced plans to construct on the vacant land.

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

The joint venture comprised of the CDC Managed Entities, Patrinely Group LLC and USAA Real Estate Company development of a 60-acre mixed use urban center in Springwoods Village known as CityPlace. The buildings in CityPlace will feature ground-level retail with office space above. The development of 475,000 square feet of office space, including CityPlace 1 (a 150,000 square-foot office building) and 50,000 square feet of retail space, have been completed in CityPlace to-date.

American Bureau of Shipping ("ABS") has moved its headquarters to Springwoods Village and has signed a long-term lease for the entirety of CityPlace 2 office building (approximately 300,000 square feet). In the 4th quarter of 2018, ABS completed full occupancy for approximately 1,500 employees. CityPlace 1 was completed in June 2019 and marketing efforts to lease this space to various tenants is underway.

Retail amenities within CityPlace currently include a 10-screen Star Cinema Grill, a 24-Hour Fitness and retail tenant executed leases with Common Bond coffee shop, Island Grill restaurant, Bread Zeppelin restaurant and Rebel Sushi restaurant.

Upon completion, it is anticipated that CityPlace will be comprised of 4,000,000 square feet of office space and 500,000 square feet of retail space.

Martin Fein Interests ("Martin Fein") has completed the development of a 268-unit apartment complex known as The Mark at CityPlace ("The Mark") which also includes approximately 8,500 square feet of retail space facing Lake Plaza Drive. The Mark offers one, two and three-bedroom units for lease and is currently 85% leased.

CityPlace also includes a 337-room full-service Marriott Hotel developed by a joint venture comprised of the CDC Managed Entities, Woodbine Development Company ("Woodbine") and USAA Real Estate Company, which includes 25,000 square feet of meeting space and a full-service restaurant.

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

Taylor Morrison Homes ("Taylor Morrison") has developed a 51-lot single-family subdivision known as Audubon Grove on 23 acres. As of August 1, 2020, there were 51 complete and occupied homes.

Sullivan Brothers Builders ("Sullivan Brothers") developed an aggregate of 86 townhomes and single-family lots within a subdivision known as Harper Woods on 16 acres. As of April 17, 2020, there were 40 complete and occupied homes, 3 complete and unoccupied homes and 43 vacant lots in Harper Woods. Homes within Harper Woods range in size from approximately 1,800 square feet to approximately 3,200 square feet and Sullivan Brothers is marketing homes from approximately $300,000 to approximately $550,000.

CHI St. Luke's Health System ("St. Luke's") has developed approximately 23 acres as the initial phase of their campus which includes an 180,000 square foot medical office building, ambulatory center and surgery center. The medical office building is approximately 98% leased. St. Luke's master plan anticipates continued expansion with additional medical office space and up to 300 hospital beds. For the 2019 tax year, St. Luke's claimed the ambulatory and surgery centers are tax-exempt under Texas law from ad valorem taxes. The District has no control over the designation of improvements as tax-exempt. Any such tax-exempt designation is determined by the Harris County Appraisal District (the "Appraisal District") pursuant to applicable law.

In April 2017, SRI, USAA Real Estate Company and Patrinely Group LLC formed a joint venture to construct HP Plaza, a corporate campus on an 11.8-acre parcel, for HP Inc. ("HPI"). HP Plaza is comprised of two office buildings aggregating approximately 378,000 square feet. HPI fully occupied the campus buildings in the 4th quarter of 2018. In April 2019, HP Plaza was sold to HP Plaza SPV, LLC. HPI continues to occupy the entire space pursuant to its original long-term lease.

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

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

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

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

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

The District has financed a significant number of amenity features which enhance the various developments in the District. These amenities include an approximately 9.5 mile trail system, the Lower Plaza and West Detention amenities. The remaining acreage in the District consists of approximately 707 undeveloped but developable acres and approximately 72 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT."

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

In December 2019, SRI finalized a joint venture with USAA Real Estate and Patrinely Group LLC to construct a corporate headquarters for Hewlett Packard Enterprises. The project will be on approximately 7.8 acres and comprised of two (2) office buildings aggregating 430,000 square feet, anticipated to be complete in the third quarter of 2021.

In April 2020, SRI conveyed approximately 407 acres of land in the District to SRI West of Holzwarth LLC, a wholly owned subsidiary of SRI. SRI West of Holzwarth LLC then entered into a Limited Liability Company Agreement with DMB Development LLC to form DMB Springwoods LLC, and the approximate 407 acres of land was conveyed to DMB Springwoods LLC. SRI West of Holzwarth LLC is the majority owner of DMB Springwoods LLC. DMB Springwoods LLC is currently in the process of planning for the development of the approximate 407 acres as a primarily residential development.

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

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

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

INVESTMENT CONSIDERATIONS

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

Infectious Disease Outbreak – 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 (the “President”) declared the Pandemic a national emergency and the Governor of Texas (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 Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and 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.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the City's metropolitan area and could reduce or negatively affect property values or homebuilding activity within the District. 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 indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19."

Dependence on the Oil and Gas Industry

As shown in "TAX DATA – Principal Taxpayers," property owned by ExxonMobil accounts for more than 59% of the District's tax base and SWE operates its corporate headquarters in the District. Both of these entities are primarily involved in the oil and gas industry. Recently, there has been unprecedented volatility in the oil and gas industry due to many factors, both national and international, including the unused supply of oil, as a result of the global economic slowdown due to the outbreak of the pandemic COVID-19, which has resulted in historic low prices in a key segment of the nation's oil trading. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19." Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted. In turn, other businesses in the District may be impacted. If any major taxpayer were to default in the payment of taxes, or if businesses were to close, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process. Decreases in the assessed value of businesses in the oil and gas industry could also significantly affect the tax rates. See "THE BONDS – Registered Owners' Remedies," "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies" and "INVESTMENT CONSIDERATIONS – Dependence on the Oil and Gas Industry."

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2019 Assessed Valuation (100% of market value as of January 1, 2019)	$2,025,328,629	(a)
2020 Estimated Assessed Valuation (100% of estimated market value as of January 1, 2020)	$2,024,065,074	(b)
Direct Debt:		
The Remaining Outstanding Bonds	$ 122,905,000	(c)
The Bonds	$ 7,780,000	
Total	$ 130,685,000	
Estimated Overlapping Debt	$ 149,832,839	(d)
Total Direct and Estimated Overlapping Debt	$ 280,517,839	
Direct Debt Ratio to:		
The 2019 Assessed Valuation	6.45	%
The 2020 Estimated Assessed Valuation	6.46	%
Direct and Estimated Overlapping Debt Ratio to:		
The 2019 Assessed Valuation	13.85	%
The 2020 Estimated Assessed Valuation	13.86	%
Debt Service Fund Balance (as of July 22, 2020)	$ 12,708,671	(e)
Operating Fund Balance (as of July 22, 2020)	$ 21,395,905	
Capital Projects Fund Balance (as of July 22, 2020)	$ 1,919,717	(f)
Defined Area Debt Service Fund Balance (as of July 22, 2020)	$ 2,813,735	
Defined Area Capital Projects Fund Balance (as of July 22, 2020)	$ 6,140,954	
2019 Tax Rate per $100 of Assessed Valuation:		
Debt Service	$ 0.450	
Maintenance and Operations	0.285	
Defined Area Debt Service	0.260	
Total	$ 0.995	
Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2021-2044)	$ 7,541,256	
Maximum Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2037)	$ 9,802,269	
Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2021-2044) at 95% Tax Collections:		
Based Upon the 2019 Assessed Valuation	$ 0.40	
Based Upon the 2020 Estimated Assessed Valuation	$ 0.40	
Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2037) at 95% Tax Collections:		
Based Upon the 2019 Assessed Valuation	$ 0.51	
Based Upon the 2020 Estimated Assessed Valuation	$ 0.51	

(a) Represents the certified assessed valuation of all taxable property located within the District as of January 1, 2019, as provided by Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Represents the certified estimated assessed valuation of all taxable property located within the District as of January 1, 2020, as provided by the Appraisal District. Such value includes $106,919,832 of assessed valuation under review by the Harris County Appraisal Review Board (the "Appraisal Review Board"), which represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board. No taxes will be levied on this value, which is subject to review and downward adjustment prior to certification. After the value is certified by the Appraisal Review Board, taxes will be levied on the value. It is anticipated that the Appraisal District will provide the certified assessed valuation of all taxable property located within the District as of January 1, 2020, by the end of September 2020. See "TAX DATA" and "TAXING PROCEDURES."

(c) Following the delivery of the Bonds. Excluding the Refunded Bonds.

(d) Includes debt issued for the Defined Area. See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the debt service fund.

(f) No funds from the capital projects fund will be applied to the sources of proceeds of the Bonds.

$7,780,000

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

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

UNLIMITED TAX REFUNDING BONDS

SERIES 2020

INTRODUCTION

This Official Statement of Harris County Improvement District (the "District") is provided to furnish information with respect to the issuance by the District of its $7,780,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"). The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution"); an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code; certain provisions of Chapter 375 of the Texas Local Government Code; Chapter 1207 of the Texas Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution.

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

THE BONDS

General

The Bonds will bear interest from September 1, 2020, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover of this Official Statement. Interest on the Bonds will be paid on March 1, 2021, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of $5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is Zions Bancorporation, National Association (the "Paying Agent/Registrar").

Redemption Provisions

The Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2025, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

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

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

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds previously or hereafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas ("Texas"); Harris County, Texas (the "County"); the City of Houston, Texas (the "City"); or any other political subdivision or any entity other than the District.

Authority for Issuance

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purposes of either acquiring or constructing a water, sewer and drainage system to serve the District (the "System") or for refunding such bonds. Voters in the District have authorized a total of $637,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing the System or for refunding such bonds. Following the issuance of the Bonds, $504,760,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing the System or for refunding such bonds will remain authorized and unissued. See "THE BONDS – Issuance of Additional Debt."

The Bonds are issued pursuant to the Bond Resolution; an election held in the District on November 3, 2009; Chapter 3879 of the Texas Special District Local Laws Code; certain provisions of Chapter 375 of the Texas Local Government Code; Chapter 1207 of the Texas Government Code; Chapters 49 and 54 of the Texas Water Code; and Article XVI, Section 59 of the Texas Constitution. See "THE BONDS – Authority for Issuance."

Issuance of Additional Debt

The District may issue additional bonds. Following the issuance of the Bonds, $504,760,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing the System or for refunding such bonds will remain authorized and unissued. In addition, voters in the District have also authorized a total of: $315,600,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing park and recreational facilities to serve the District or for refunding such bonds; $15,100,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing firefighting facilities to serve the District or for refunding such bonds; $128,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing public parking facilities to serve the District or for refunding such bonds; $48,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing economic developments to serve the District or for refunding such bonds; and $11,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing transit facilities to serve the District and for refunding such bonds. The District makes no representation as to the timing of the issuance of such bonds.

On August 24, 2011, the Board (herein defined) designated approximately 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil Corporation ("ExxonMobil") has constructed a corporate campus. The Defined Area was created to finance road improvements in the Defined Area, for which the Defined Area intends to sell ad valorem unlimited tax bonds. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the District or for refunding such bonds. As of August 1, 2020, the District has issued $35,460,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. At September 1, 2020, $32,805,000 principal amount of such previously issued debt will remain outstanding. The Defined Area has $1,141,540,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds remaining authorized but unissued.

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues are used to finance certain major thoroughfare roads in the Defined Area and certain park improvements within the District. The Agreement obligates the County to rebate 65% of taxes the County receives on the incremental tax value of real property developed in the District up to $82,000,000 plus interest to the District to finance these improvements. Bonds are not issued to finance improvements included in the Agreement. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to the Bonds or to any outstanding bond issue and there is no expectation that the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2019, is $34,311,282 in principal, plus accrued interest calculated at a rate of 6% per annum. As of December 31, 2019, the County has rebated a total of $17,507,865 to the District. See "THE DISTRICT – Economic Development Agreement with the County."

Following the issuance of the Bonds, the District will not owe the Principal Developer (herein defined) or the Other Developers (herein defined) for expenditures advanced for water, sewer, and drainage facilities and park and recreational facilities within the District, and for road improvements within the District (secured by taxes levied on property within the Defined Area). See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

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

Remaining Outstanding Bonds

The District has previously issued: $9,165,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); $55,650,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"); 22,020,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); $16,250,000 Unlimited Tax Park Bonds, Series 2015 (the "Series 2015 Park Bonds"); $38,000,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); $7,240,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"); and $1,950,000 Unlimited Tax Park Bonds, Series 2019 (the "Series 2019 Park Bonds"). At September 1, 2020, $130,520,000 principal amount of such previously issued debt will remain outstanding.

Following the delivery of the Bonds, exclusive of the Refunded Bonds (herein defined), $122,905,000 principal amount of such previously issued debt will remain outstanding (the "Remaining Outstanding Bonds"). See "PLAN OF FINANCING – The Remaining Outstanding Bonds."

The District has also issued and has bonds outstanding for the Defined Area. See "THE DEFINED AREA."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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PLAN OF FINANCING

Use of Proceeds

A portion of the proceeds of the Bonds will be applied to currently refund $7,615,000 principal amount of the District's Series 2013 Bonds (the "Refunded Bonds") and to pay administrative and issuance costs related to the issuance of the Bonds. The refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements.

The following table details the Refunded Bonds:

The Refunded Bonds	
Principal Amount	Maturity Date
$ 300,000	09/01/2021
315,000	09/01/2022
330,000	09/01/2023
345,000	09/01/2024
365,000	09/01/2025
380,000	09/01/2026
400,000	09/01/2027
415,000	09/01/2028
435,000 (a)	09/01/2029
460,000 (a)	09/01/2030
480,000 (a)	09/01/2031
500,000 (b)	09/01/2032
525,000 (b)	09/01/2033
550,000 (c)	09/01/2034
575,000 (c)	09/01/2035
605,000 (d)	09/01/2036
635,000 (d)	09/01/2037
$ 7,615,000	

Total Principal Amount of the Refunded Bonds: $7,615,000

Redemption Date: September 21, 2020

(a) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2031.

(b) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2033.

(c) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2035.

(d) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2037.

Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with the Paying Agent/Registrar, to be deposited with The Bank of New York Mellon Trust Company, N.A., the paying agent/registrar for the Refunded Bonds. The Bond Resolution provides that from the proceeds of the sale of the Bonds, the District will deposit with the Paying Agent/Registrar the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent/Registrar in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, the Verification Agent (herein defined) will verify to the District, the Paying Agent/Registrar, Bond Counsel and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the cash with the Paying Agent/Registrar and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited in the Payment Account, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Remaining Outstanding Bonds

The following table details the Remaining Outstanding Bonds (following the delivery of the Bonds):

	Original Principal Amount	Principal Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2013 Bonds	$ 9,165,000	$ 7,615,000	$ 7,615,000	$ –
Series 2014 Bonds	55,650,000	47,390,000	–	47,390,000
Series 2015 Bonds	22,020,000	19,050,000	–	19,050,000
Series 2015 Park Bonds	16,250,000	14,065,000	–	14,065,000
Series 2016 Bonds	38,000,000	33,415,000	–	33,415,000
Series 2019 Bonds	7,240,000	7,080,000	–	7,080,000
Series 2019 Park Bonds	1,950,000	1,905,000	–	1,905,000
	$150,275,000	$130,520,000	$ 7,615,000	$122,905,000

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of the Bonds	$ 7,780,000.00
Net Original Issue Premium	107,276.65
Accrued Interest on the Bonds	7,688.33
Total Sources of Funds	$ 7,894,964.98
USES OF FUNDS:	
Deposit for Payment of the Refunded Bonds	$ 7,629,595.28
Deposit of Accrued Interest to Debt Service Fund	7,688.33
Issuance Expenses and Underwriter's Discount	254,922.68
Deposit of Additional Proceeds to the Operating Fund	2,758.69
Total Uses of Funds	$ 7,894,964.98

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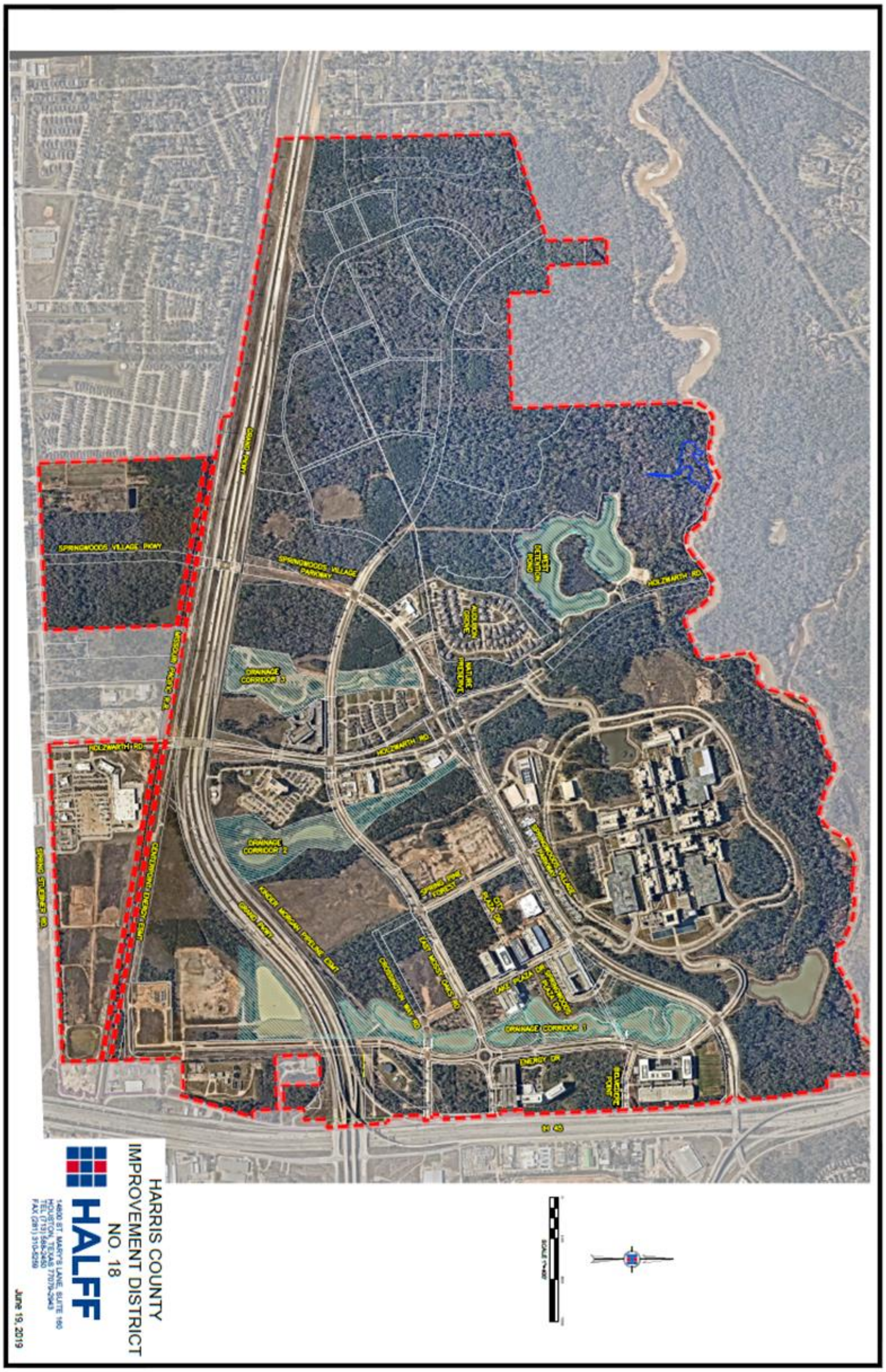
AERIAL PHOTOGRAPH OF THE DISTRICT



THE DISTRICT

General

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

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

Location

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

Economic Development Agreement with the County

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues are used to finance certain major thoroughfare roads in the Defined Area and certain park improvements within the District. The Agreement obligates the County to rebate 65% of taxes the County receives on the incremental tax value of real property developed in the District up to $82,000,000 plus interest to the District to finance these improvements. Bonds are not issued to finance improvements included in the Agreement. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to the Bonds or to any outstanding bond issue and there is no expectation that the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2019, is $34,311,282 in principal, plus accrued interest calculated at a rate of 6% per annum. As of December 31, 2019, the County has rebated a total of $17,507,865 to the District.

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Management of the District

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

Name	Position	Term Expires May
Robert Deden	President	2023
Sue Darcy	Secretary	2023
Dwayne Mason	Vice President	2021
Craig Doyal	Assistant Vice President	2023
Richard Rose	Assistant Secretary	2021

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

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

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

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

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McGrath & Co, PLLC for the fiscal year ended December 31, 2019, is included as "APPENDIX A" to this Official Statement.

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

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

Special Consultants Related to Issuance of the Bonds

Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA LLC (the "Verification Agent") will verify to the District, Bond Counsel, the paying agent/registrar for the Refunded Bonds and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

THE DEFINED AREA

On August 24, 2011, the Board designated 1,495.6 acres as "Defined Area No. 1" (the "Defined Area"). The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil operates a corporate campus (approximately 385.10 acres). The District created the Defined Area to finance public roads and related improvements within the Defined Area. There is only one defined area created within the District. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. As of August 1, 2020, the District has issued $35,460,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. At September 1, 2020, $32,805,000 principal amount of such previously issued debt will remain outstanding.

The 2019 assessed valuation of all taxable property located within the Defined Area is $787,826,033 and the 2020 estimated assessed valuation of all taxable property located within the Defined Area is $892,167,557. The maximum annual debt service requirement for debt issued for the Defined Area is $2,312,150 (2040) and the average annual debt service requirement for debt issued for the Defined Area is $1,941,287 (2021-2044). Assuming no increase to nor decrease from the 2019 assessed valuation of the Defined Area, tax rates of $0.31 and $0.26 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the 2020 estimated assessed valuation of the Defined Area, tax rates of $0.28 and $0.23 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See “INVESTMENT CONSIDERATIONS – Future Debt” and “THE BONDS – Issuance of Additional Debt.”

THE PRINCIPAL DEVELOPER

The Role of the Developer

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

Springwoods Realty, Inc.

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

THE OTHER DEVELOPERS/LANDOWNERS

Palmetto Transoceanic, LLC (an Exxon Mobil Corporation affiliate)

In December 2008, SRC sold approximately 386 acres to Palmetto Transoceanic, LLC, an affiliate of ExxonMobil, which is a publicly traded company. ExxonMobil has completed construction of a corporate campus which includes 23 individual buildings, totaling approximately 4,000,000 square feet, which is estimated to provide workspace for approximately 10,000 employees.

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

A.W. Realty Company (a Southwestern Energy affiliate) and Spear Street Capital

In December 2012, SRC sold approximately 25.62 acres to A.W. Realty Company ("AWR"), an affiliate of Southwestern Energy ("SWE"). SWE has constructed the first phase of its corporate headquarters with a 515,000 square foot office building on a portion of this land. The campus is estimated to provide workspace for approximately 1,500 people. In July 2019, Spear Street Capital ("Spear Street") acquired the 25.62 acres. SWE continues to lease its office space. Leasing efforts continue for the remaining space currently unoccupied. Spear Street has not announced plans to construct on the vacant portion of this land. See "INVESTMENT CONSIDERATIONS."

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

The joint venture comprised of the CDC Managed Entities and Regency Centers Corporation have developed phase 1 of The Market at Springwoods Village ("The Market") on approximately 31 acres within the District. Phase 1 of The Market is anchored by a 100,000 square feet Kroger grocery store. In addition to Kroger, phase 1 includes approximately 60,000 square feet of retail shops and restaurants including Torchy's Tacos, Chick-Fil-A, Zoe's Kitchen, B Good, Banfield Pet Hospital, Tarka Indian Kitchen, MOD Pizza, Natural Pawz, Jinya Ramen Bar, Frost Bank, Regions Bank and various smaller tenants. Phase 2 of The Market is planned to be developed on approximately 21 acres adjacent to phase 1, of which pre-leasing is currently underway. The timing of the construction of phase 2 has not yet been finalized.

Springwoods Village

In May 2016, the CDC Managed Entities finalized a joint venture with Patrinely Group LLC and USAA Real Estate Company for the first phase of development of a 60-acre mixed use urban center in Springwoods Village known as CityPlace. The buildings in CityPlace will feature ground-level retail with office space above. The development of 475,000 square feet of office space, including CityPlace 1 (a 150,000 square-foot office building) and 50,000 square feet of retail space, have been completed in CityPlace to-date.

DEVELOPMENT WITHIN THE DISTRICT

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

ExxonMobil Campus

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

Southwestern Energy Headquarters

Approximately 25.62 acres fronting Interstate Highway 45 has been developed into a corporate headquarters campus for SWE. The first phase of the campus totaling approximately 515,000 square feet of office space is complete which provides working space for approximately 1,500 employees on a portion of this land. In July 2019, Spear Street acquired the 25.62 acres. SWE continues to lease its office space. Leasing efforts continue for the remaining space currently unoccupied. Spear Street has not announced plans to construct on the vacant portion of this land.

The Market at Springwoods Village

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

CityPlace

The joint venture comprised of the CDC Managed Entities, Patrinely Group LLC and USAA Real Estate Company development of a 60-acre mixed use urban center in Springwoods Village known as CityPlace. The buildings in CityPlace are planned to feature ground-level retail with office space above. The development of 475,000 square feet of office space, including CityPlace 1 (a 150,000 square-foot office building) and 50,000 square feet of retail space, have been completed in CityPlace to-date.

American Bureau of Shipping ("ABS") has moved its headquarters to Springwoods Village and has signed a long-term lease for the entirety of CityPlace 2 office building (approximately 300,000 square feet). In the 4th quarter of 2018, ABS completed full occupancy for approximately 1,500 employees. CityPlace 1 was completed in June 2019 and marketing efforts to lease this space to various tenants is underway.

Retail amenities within CityPlace currently include a 10-screen Star Cinema Grill, a 24-Hour Fitness and retail tenant executed leases with Common Bond coffee shop, Island Grill restaurant, Bread Zeppelin restaurant and Rebel Sushi restaurant.

Upon completion, it is anticipated that CityPlace will be comprised of 4,000,000 square feet of office space and 500,000 square feet of retail space.

Martin Fein Interests ("Martin Fein") has completed the development of a 268-unit apartment complex known as The Mark at CityPlace ("The Mark") which also includes approximately 8,500 square feet of retail space facing Lake Plaza Drive. The Mark offers one, two and three-bedroom units for lease and is currently 85% leased.

CityPlace also includes a 337-room full-service Marriott Hotel developed by a joint venture comprised of the CDC Managed Entities, Woodbine Development Company ("Woodbine") and USAA Real Estate Company, which includes 25,000 square feet of meeting space and a full-service restaurant.

CHI St. Luke's Health System

St. Luke's has developed approximately 23 acres as the initial phase of their campus which includes an 180,000 square foot medical office building, ambulatory center and surgery center. The medical office building is approximately 98% leased. St. Luke's master plan anticipates continued expansion with additional medical office space and up to 300 hospital beds. For the 2019 tax year, St. Luke's has claimed the ambulatory & surgery centers are tax-exempt under Texas law from ad valorem taxes. The District has no control over the designation of improvements as tax-exempt. Any such tax-exempt designation is determined by the Appraisal District pursuant to applicable law.

HP, Inc.

In April 2017, SRI, USAA Real Estate Company and Patrinely Group LLC formed a joint venture to construct HP Plaza, a corporate campus on an 11.8-acre parcel, for HP Inc. ("HPI"). HP Plaza is comprised of two office buildings aggregating approximately 378,000 square feet. HPI fully occupied the campus buildings in the 4th quarter of 2018. In April 2019, HP Plaza was sold to HP Plaza SPV, LLC. HPI continues to occupy the entire space pursuant to its original long-term lease.

Residential Development

Taylor Morrison Homes ("Taylor Morrison") has developed a 51-lot single-family subdivision known as Audubon Grove on 23 acres. As of August 1, 2020, there were 51 complete and occupied homes.

Sullivan Brothers Builders ("Sullivan Brothers") developed an aggregate of 86 townhomes and single-family lots within a subdivision known as Harper Woods on 16 acres. As of April 17, 2020, there were 40 complete and occupied homes, 3 complete and unoccupied homes and 43 vacant lots in Harper Woods. Homes within Harper Woods range in size from approximately 1,800 square feet to approximately 3,200 square feet and Sullivan Brothers is marketing homes from approximately $300,000 to approximately $550,000.

Other Development

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

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

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

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

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

District Improvements

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

FUTURE DEVELOPMENT

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

In December 2019, SRI finalized a joint venture with USAA Real Estate and Patrinely Group LLC to construct a corporate headquarters for Hewlett Packard Enterprises. The project will be on approximately 7.8 acres and comprised of two (2) office buildings aggregating 430,000 square feet, anticipated to be complete in the third quarter of 2021.

In April 2020, SRI conveyed approximately 407 acres of land in the District to SRI West of Holzwarth LLC, a wholly owned subsidiary of SRI. SRI West of Holzwarth LLC then entered into a Limited Liability Company Agreement with DMB Development LLC to form DMB Springwoods LLC, and the approximate 407 acres of land was conveyed to DMB Springwoods LLC. SRI West of Holzwarth LLC is the majority owner of DMB Springwoods LLC. DMB Springwoods LLC is currently in the process of planning for the development of the approximate 407 acres as a primarily residential development.

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

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

The District can make no representation as to the likelihood of any of the described future development or any other future development in the District.

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DEBT SERVICE REQUIREMENT SCHEDULE

The following schedule sets forth the total debt service requirements of the District, less the Refunded Bonds, plus the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service (a)	Refunded Bonds	The Bonds Principal	The Bonds Interest	Total Debt Service
2021	8,825,609	$ 562,715	$ 335,000	$ 172,988	$ 8,770,881
2022	8,834,409	568,715	350,000	162,938	8,778,631
2023	8,845,809	574,265	365,000	152,438	8,788,981
2024	8,920,059	579,365	385,000	141,488	8,867,181
2025	8,977,565	589,015	405,000	129,938	8,923,488
2026	9,042,750	592,700	415,000	118,800	8,983,850
2027	9,117,438	597,500	430,000	110,500	9,060,438
2028	9,195,700	599,500	440,000	101,900	9,138,100
2029	9,274,063	606,013	455,000	93,100	9,216,150
2030	9,354,463	615,788	475,000	84,000	9,297,675
2031	9,430,756	619,688	485,000	74,500	9,370,569
2032	9,497,431	622,888	500,000	64,800	9,439,344
2033	9,573,481	629,763	515,000	54,800	9,513,519
2034	9,643,881	635,731	530,000	44,500	9,582,650
2035	9,723,994	640,794	545,000	33,900	9,662,100
2036	9,798,788	649,950	565,000	23,000	9,736,838
2037	9,863,588	658,019	585,000	11,700	9,802,269
2038	9,264,613	–	–	–	9,264,613
2039	5,198,956	–	–	–	5,198,956
2040	5,206,263	–	–	–	5,206,263
2041	2,727,694	–	–	–	2,727,694
2042	551,950	–	–	–	551,950
2043	551,800	–	–	–	551,800
2044	556,200	–	–	–	556,200
Total	$ 181,977,256	$ 10,342,406	$ 7,780,000	$ 1,575,288	$ 180,990,138

(a) Outstanding debt service at September 1, 2020.

Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2021-2044) .... $ 7,541,256

Maximum Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2037) .... $ 9,802,269

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DISTRICT FINANCIAL DATA

General

2019 Assessed Valuation (100% of market value as of January 1, 2019)	$2,025,328,629	(a)
2020 Estimated Assessed Valuation (100% of estimated market value as of January 1, 2020)	$2,024,065,074	(b)
Direct Debt:		
The Remaining Outstanding Bonds	$ 122,905,000	(c)
The Bonds	$ 7,780,000	
Total	$ 130,685,000	
Estimated Overlapping Debt	$ 149,832,839	(d)
Total Direct and Estimated Overlapping Debt	$ 280,517,839	
Debt Service Fund Balance (as of July 22, 2020)	$ 12,708,671	(e)
Operating Fund Balance (as of July 22, 2020)	$ 21,395,905	
Capital Projects Fund Balance (as of July 22, 2020)	$ 1,919,717	(f)
Defined Area Debt Service Fund Balance (as of July 22, 2020)	$ 2,813,735	
Defined Area Capital Projects Fund Balance (as of July 22, 2020)	$ 6,140,954	
Direct Debt Ratio to:		
The 2019 Assessed Valuation	6.45	%
The 2020 Estimated Assessed Valuation	6.46	%
Direct and Estimated Overlapping Debt Ratio to:		
The 2019 Assessed Valuation	13.85	%
The 2020 Estimated Assessed Valuation	13.86	%

(a) Represents the certified assessed valuation of all taxable property located within the District as of January 1, 2019, as provided by Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Represents the certified estimated assessed valuation of all taxable property located within the District as of January 1, 2020, as provided by the Appraisal District. Such value includes $106,919,832 of assessed valuation under review by the Harris County Appraisal Review Board (the "Appraisal Review Board"), which represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board. No taxes will be levied on this value, which is subject to review and downward adjustment prior to certification. After the value is certified by the Appraisal Review Board, taxes will be levied on the value. It is anticipated that the Appraisal District will provide the certified assessed valuation of all taxable property located within the District as of January 1, 2020, by the end of September 2020. See "TAX DATA" and "TAXING PROCEDURES."

(c) Following the delivery of the Bonds. Excluding the Refunded Bonds.

(d) Includes debt issued for the Defined Area. See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the debt service fund.

(f) No funds from the capital projects fund will be applied to the sources of proceeds of the Bonds.

Authorized but Unissued Bonds

– Authorized Ad Valorem Tax Bonds –

Election Date	Purpose	Amount Authorized	Issued to Date	The Bonds (a)	Remaining Unissued (a)
11/03/09	Water, Wastewater, Drainage & Refunding	$ 637,000,000	$ 132,075,000	$ 165,000	$ 504,760,000
11/03/09	Recreational Facilities & Refunding	315,600,000	18,200,000	-0-	297,400,000
11/03/09	Firefighting Facilities & Refunding	15,100,000	-0-	-0-	15,100,000
11/03/09	Public Parking Facilities & Refunding	128,000,000	-0-	-0-	128,000,000
11/03/09	Economic Development & Refunding	48,000,000	-0-	-0-	48,000,000
11/03/09	Transit Facilities & Refunding	11,000,000	-0-	-0-	11,000,000
	Total	$ 1,154,700,000	$ 150,275,000	$ 165,000	$ 1,004,260,000

(a) Includes the Bonds and excludes the Refunded Bonds.

– Authorized Defined Area Ad Valorem Tax Bonds –

Election Date	Purpose	Amount Authorized	Issued to Date	The Bonds	Remaining Unissued
11/08/11	Road Improvements & Refunding	$ 1,177,000,000	$ 35,460,000	$ -0-	$ 1,141,540,000

Investment Authority and Investment Practices of the District

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

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of July 31, 2020	Estimated Overlapping Percent	Estimated Overlapping Amount
Harris County	$ 1,885,182,125	0.418 %	$ 7,888,721
Harris County Department of Education	6,320,000	0.418 %	26,447
Harris County Flood Control District	83,075,000	0.418 %	347,635
Harris County Hospital District	86,050,000	0.418 %	360,084
Klein ISD	1,125,655,000	0.010 %	112,566
Lone Star College District	569,815,000	0.961 %	5,474,408
Port of Houston Authority	572,569,397	0.418 %	2,395,970
Spring ISD	704,830,000	14.106 %	99,422,008
Defined Area No. 1	33,805,000	100.000 %	33,805,000
Total Estimated Overlapping Debt			$ 149,832,839
The District (a)		100.000 %	$ 130,685,000
Total Direct & Estimated Overlapping Debt (a)			$ 280,517,839

(a) Includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2019 Assessed Valuation ($2,025,328,629)	6.45 %	13.85 %
2020 Estimated Assessed Valuation ($2,024,065,074)	6.46 %	13.86 %

(a) Includes the Bonds and excludes the Refunded Bonds.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any previously issued tax-supported bonds of future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.50 per $100 of assessed valuation for operation and maintenance purposes. For the 2019 tax year, the Board levied a debt service tax rate of $0.450 per $100 of assessed valuation and a maintenance and operations tax rate of $0.285 per $100 of assessed valuation. In addition, the Board levied a debt service tax rate in the Defined Area of $0.260 per $100 of assessed valuation.

Tax Rate Limitation

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

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

For the 2019 tax year, the Board of Directors levied a debt service tax rate of $0.450 per $100 of assessed valuation.

Accrued interest on the Bonds shall be deposited into the debt service fund. The remaining proceeds from the sale of the Bonds, after the payment for the redemption of the Refunded Bonds and all costs associated with the issuance of the Bonds and the redemption of the Refunded Bonds, will be deposited into the operating fund. See "PLAN OF FINANCING – Sources and Uses of Funds."

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 3, 2009, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed $1.50 per $100 of assessed valuation. For the 2019 tax year, the Board levied a maintenance and operations tax rate of $0.285 per $100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Sales and Use Tax

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

Hotel Occupancy Tax

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

Tax Exemption

As discussed under "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

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Historical Tax Collections

The following table illustrates the tax collection history of the District for the 2015 through 2019 tax years.

Tax Year	Assessed Valuation	Tax Rate Per $100 (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ending	% of Collections as of 06/30/2020
2015	$1,479,792,176	$ 1.500	$ 22,196,883	99.97 %	9/30/2016	100.00 %
2016	1,723,743,896	1.500	25,856,158	99.91 %	9/30/2017	99.99 %
2017	1,782,447,137	1.485	26,469,340	99.99 %	9/30/2018	99.99 %
2018	1,824,621,075	1.050	19,158,521	99.96 %	9/30/2019	99.99 %
2019	2,025,328,629	0.995	20,152,020	99.95 %	9/30/2020	99.95 %

(a) Includes a tax rate for maintenance and operation purposes.

Tax Rate Distribution

The following table illustrates the tax rate distribution of the District for the 2015 through 2019 tax years.

	2019	2018	2017	2016	2015
Debt Service	$ 0.450	$ 0.500	$ 0.480	$ 0.510	$ 0.415
Defined Area Debt Service	0.260	0.300	0.365	0.170	0.000
Maintenance & Operations	0.285	0.250	0.640	0.820	1.085
Total Tax Rate	$ 0.995	$ 1.050	$ 1.485	$ 1.500	$ 1.500

Analysis of Tax Base

The following illustrates the District's total taxable assessed valuation value for the 2015 through 2019 tax years, by type of property.

Type of Property	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation
Land	$ 437,541,280	$ 396,591,914	$ 418,014,589	$ 394,151,391	$ 350,136,184
Improvements	1,587,432,479	1,451,857,044	1,354,688,117	1,318,973,511	1,167,442,695
Personal Property	208,541,607	182,098,806	224,103,949	188,562,424	122,402,914
Exemptions	(208,186,737)	(205,926,689)	(214,359,518)	(177,943,430)	(160,189,617)
Total	$ 2,025,328,629	$ 1,824,621,075	$ 1,782,447,137	$ 1,723,743,896	$ 1,479,792,176

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019. See "INVESTMENT CONSIDERATIONS."

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll	Percent of Assessed Valuation
Palmetto Transoceanic LLC (a)	Corporate Campus	$ 1,202,471,874	59.37 %
10000 Energy Drive Owner LP (a)	Office Building/Vacant Land	150,998,787	7.46 %
Springwoods 4A Inc. (a)	Office Building	89,827,893	4.44 %
HP Plaza SPV LLC	Commercial	78,392,425	3.87 %
Springwoods Realty Inc. (b)	Commercial Land	76,582,886	3.78 %
SWV FS Hotel Owner (a)	Commercial	60,094,647	2.97 %
CP Residential LP	Commercial	54,284,223	2.68 %
Springwoods Residential LP (a)	Multi-Family	46,790,000	2.31 %
Spring Stuebner RRC I Inc. (a)	Commercial Center	27,701,358	1.37 %
DOC 2255 East Mossy Oak (a)(c)	Medical Office Building	22,411,066	1.11 %
Total		$ 1,809,555,159	89.35 %

(a) See "THE OTHER DEVELOPERS/LANDOWNERS."

(b) See "THE PRINCIPAL DEVELOPER."

(c) Does not include approximately 0.23 acres which have been declared exempt from property taxes.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 assessed valuation ($2,025,328,629) or the 2020 estimated assessed valuation ($2,024,065,074). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds.

Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2021-2044)	$	7,541,256
Tax Rate of $0.40 on the 2019 Assessed Valuation	$	7,696,249
Tax Rate of $0.40 on the 2020 Estimated Assessed Valuation	$	7,691,447
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2037)	$	9,802,269
Tax Rate of $0.51 on the 2019 Assessed Valuation	$	9,812,717
Tax Rate of $0.51 on the 2020 Estimated Assessed Valuation	$	9,806,595

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Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2019 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	Spring ISD 2019 Tax Rate Per $100 of Assessed Value	Klein ISD 2019 Tax Rate Per $100 of Assessed Value
The District	$ 0.73500	$ 0.73500
Defined Area No. 1	0.26000	0.26000
Harris County	0.40713	0.40713
Harris County Flood Control District	0.02792	0.02792
Harris County Hospital District	0.16591	0.16591
Port of Houston Authority	0.01074	0.01074
Lone Star College District	0.10780	0.10780
Klein ISD	–	1.43000
Spring ISD	1.51000	–
Harris County Emergency Services District No. 7 (a)	0.09939	0.09939
Harris County Dept. of Education	0.00500	0.00500
Harris County Emergency Services District No. 11 (a)	(a)	(a)
Estimated Total Tax Rate	$ 3.32889	$ 3.24889

(a) A portion of the District lies within Harris County Emergency Service District No. 11 instead of Harris County Emergency Service District No. 7, which levies a tax rate of $0.034707 on the taxable property within its boundaries.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

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

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

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

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the land within the District), the County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the

District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more 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, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

THE SYSTEM

Regulation

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

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

Description of the System

- Water Supply and Distribution -

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

- Non-Potable Water -

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

- Wastewater -

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

- Drainage -

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

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

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

- Parks -

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

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

- Roads -

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

Subsidence and Conversion to Surface Water Supply

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

The District is also located within the boundaries of the North Harris County Regional Water Authority (the "Water Authority"). The Water Authority was created to accomplish the conversion to surface water by entities within the Subsidence District's Area 3 in accordance with the Regulatory Plan. To implement the required conversion to surface water in accordance with the Regulatory Plan, the Water Authority has adopted a ground water reduction plan providing for the design, construction and operation of a network of surface water transmission lines, storage tanks, and pumping stations to transport and distribute surface water to the areas within the Water Authority's boundaries (the "Surface Water Facilities"). The Water Authority has also contracted with the City to secure a long-term supply of surface water. To obtain funding to accomplish its purposes, the Water Authority is currently assessing a groundwater pumpage fee in the amount of $3.85 per 1,000 gallons of water, which applies to certain water well permittees in its boundaries, including the District. To date, the Water Authority has issued ten series of bonds, of which $1,535,970,000 principal amount remains outstanding, to finance the Surface Water Facilities and may issue more bonds in the future. The Water Authority bonds are secured by revenues of the Water Authority, including the groundwater pumpage fee. Currently the Water Authority charges a pumpage fee of $4.25 per 1,000 gallons of water pumped and a surface water fee of $4.70 per 1,000 gallons delivered.

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

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

Low Impact Design Standards

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

Maintenance Declarations

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

Historical Operations of the System

The following is a summary of the District's Operating Fund for the last 5 years. The figures for the fiscal years ending December 31, 2015, through December 31, 2019, were obtained from the District's annual financial reports, reference to which is hereby made. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year End December 31,				
	2019	2018	2017	2016	2015
REVENUES					
Charges for Utility Services	$ 2,922,590	$ 2,610,275	$ 2,310,592	$ 2,132,310	$ 2,022,710
Property Taxes	4,734,648	11,084,582	14,850,002	15,979,873	4,781,346
Penalties and Interest	38,450	18,063	28,874	41,775	148,661
Harris County Property Tax Rebate	4,168,031	4,229,335	3,985,456	3,465,510	1,535,251
Sales and Use Taxes	4,337,509	3,347,253	955,845	718,270	546,713
Tap Connection and Inspection Fees	632,777	604,138	752,848	335,306	591,339
Capital Recovery Fees	843,847	–	–	–	–
Miscellaneous	121,032	93,713	24,752	210,948	34,096
Investment Earnings	408,952	324,123	196,169	86,276	18,062
TOTAL REVENUES	$ 18,207,836	$ 22,311,482	$ 23,104,538	$ 22,970,268	$ 9,678,178
EXPENSES					
Current					
Professional Fees	$ 1,429,999	$ 1,818,370	$ 1,755,857	$ 1,755,522	$ 1,327,358
Contracted Services	1,561,336	1,705,420	1,643,677	834,728	548,401
Repairs and Maintenance	4,555,574	3,925,816	4,304,741	2,144,035	1,705,075
Regional Water Authority Fees	1,060,574	760,395	557,352	366,680	354,658
Utilities	207,270	212,645	197,168	173,919	157,117
Tree Farm Ground Lease	60,000	60,000	60,000	60,000	60,000
Administrative	135,974	127,205	111,546	91,630	88,245
Miscellaneous	36,025	75,927	100,628	20,756	58,568
Capital Outlay	1,402,706	12,018,205	12,082,917	10,920,997	528,528
Developer Interest	4,168,031	1,324,597	1,716,153	2,004,339	1,535,251
Debt Issuance Expenses	–	–	–	9,500	–
TOTAL EXPENSES	$ 14,616,978	$ 22,028,580	$ 22,530,039	$ 18,382,106	$ 6,363,201
Revenues Over (Under) Expenses	$ 3,590,858	$ 282,902	$ 574,499	$ 4,588,162	$ 3,314,977

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INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outbreak – 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 (the "President") declared the Pandemic a national emergency and the Governor of Texas (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 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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy. In separate orders, the Governor imposed a moratorium on elective surgeries in numerous Texas counties including Harris, Travis, Bexar and Dallas Counties. The Governor retains the authority to impose additional restrictions on activities. Under Executive Order GA-28, for the remainder of the 2019-2020 school year, public schools may resume operations in the summer under protocols outlined in guidance from the TEA. Due to a rise in COVID-19 cases in Texas, Executive Order GA-29 now requires the use of face covering in public spaces. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and 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.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the City's metropolitan area and could reduce or negatively affect property values or homebuilding activity within the District. 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 indicative of the economic impact of the Pandemic on the District's financial condition.

Dependence on the Oil and Gas Industry

As shown in "TAX DATA – Principal Taxpayers," property owned by ExxonMobil accounts for more than 59% of the District's tax base and SWE operates its corporate headquarters in the District. Both of these entities are primarily involved in the oil and gas industry. Recently, there has been unprecedented volatility in the oil and gas industry due to many factors, both national and international, including the unused supply of oil, as a result of the global economic slowdown due to the outbreak of the pandemic COVID-19, which has resulted in historic low prices in a key segment of the nation's oil trading. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19." Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted. In turn, other businesses in the District may be impacted. If any major taxpayer were to default in the payment of taxes, or if businesses were to close, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process. Decreases in the assessed value of businesses in the oil and gas industry could also significantly affect the tax rates. See "THE BONDS – Registered Owners' Remedies" and "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing and commercial development industry in the City metropolitan area. New construction can be significantly affected by factors such as a downturn in the energy (including oil and gas) businesses, protracted COVID-19 orders, interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict or reduce the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

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

Principal Taxpayers' Obligations to the District: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2019 owned a majority (approximately 89.35%) of the taxable property, including personal property, located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due or obtains lower property values from the Appraisal District, the District might need to levy additional or increased taxes or use other debt service funds available to meet its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2019 tax year, the District levied a maintenance and operations tax rate of $0.285 per $100 of assessed valuation and a debt service tax rate of $0.450 per $100 of assessed valuation.

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

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

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

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2019 assessed valuation of all taxable property within the District is $2,025,328,629 (see "TAX DATA") and the 2020 estimated assessed valuation of all taxable property within the District is $2,024,065,074. Following issuance of the Bonds, the maximum annual debt service requirement for the Remaining Outstanding Bonds and the Bonds will be $9,802,269 (2037) and the average annual debt service requirement for the Remaining Outstanding Bonds and the Bonds will be $7,541,256 (2021-2044). Assuming no increase to nor decrease from the 2019 assessed valuation, tax rates of $0.51 and $0.40 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the 2020 estimated assessed valuation, tax rates of $0.51 and $0.40 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

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

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

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

Potential Impact of Natural Disaster

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

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

Hurricane Harvey

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood

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

Riverine (or Fluvial) Flood

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

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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

Environmental Regulations

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

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

Sanctions against a municipal management 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 TCEQ may impact new industrial, commercial and residential development in the City's 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: Applicable water supply and discharge regulations that may require the District 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 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 district's provision of water for human consumption is subject to extensive regulation as a public water system. 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 district must comply may have an impact on the district's ability to obtain and maintain compliance with TPDES permits.

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

Operations of 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 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. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

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 officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective on June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future 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 districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

Following the issuance of the Bonds, the following total amounts will remain authorized but unissued: $504,760,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing the System or for refunding such bonds; $297,400,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing park and recreational facilities to serve the District or for refunding such bonds; $15,100,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing firefighting facilities to serve the District or for refunding such bonds; $128,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing public parking facilities to serve the District or for refunding such bonds; $48,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing economic developments to serve the District or for refunding such bonds; and $11,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing transit facilities to serve the District or for refunding such bonds. The District makes no representation as to the timing of the issuance of such bonds.

On August 24, 2011, the Board designated approximately 1,495.6 acres as Defined Area. The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil has constructed a corporate campus. The Defined Area was created to finance road improvements in the Defined Area, for which the Defined Area intends to sell ad valorem unlimited tax bonds. At an election held on November 8, 2011, voters in the Defined Area authorized $1,177,000,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the District or for refunding such bonds. As of August 1, 2020, the District has issued $35,460,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds. At September 1, 2020, $32,805,000 principal amount of such previously issued debt will remain outstanding. The Defined Area has $1,141,540,000 principal amount of unlimited tax bonds for the purposes of either acquiring or constructing road improvements to serve the Defined Area or for refunding such bonds remaining authorized but unissued.

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with the County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads in the Defined Area and certain park improvements to serve the District. The Agreement obligates the County to rebate up to $82,000,000 plus interest to the District to finance these improvements. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not pledged such revenue to the Bonds or to any outstanding bond issue and there is no expectation that the District will do so in the future. The outstanding reimbursement due under the Agreement as of December 31, 2019, is $34,311,282 in principal, plus accrued interest calculated at a rate of 6% per annum. As of December 31, 2019, the County has rebated a total of $17,507,865 to the District. See "THE DISTRICT – Economic Development Agreement with Harris County."

Following the issuance of the Bonds, the District will not owe the Principal Developer or the Other Developers for expenditures advanced for water, sewer, and drainage facilities and park and recreational facilities within the District, and for road improvements within the District (secured by taxes levied on property within the Defined Area). See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Approval of the Bonds

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

Consolidation

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

Subsidence and Conversion to Surface Water Supply

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

TAX MATTERS

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and

(b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2020.

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

VERIFICATION OF MATHMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the principal or redemption price of and interest on the Refunded Bonds and (b) the computation of the yields on the Bonds and was verified by the Verification Agent. The computations were independently verified by the Verification Agent, based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

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

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed

Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, 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, 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, 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, any of which reflect financial difficulties. The terms “obligated person” and “financial obligations” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 of the Securities Exchange Act (the “Rule”). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

Preparation

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

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

Experts

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

> *The Engineer*: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.
>
> *Tax Assessor/Collector and Appraisal District*: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by the Assessments of the Southwest, Inc. and the Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.
>
> The *Principal Developer*: The information contained in the Official Statement relating to the developers and development in the District and, in particular such information contained in the sections captioned "THE PRINCIPAL DEVELOPER", "DEVELOPMENT WITHIN THE DISTRICT" and "FUTURE DEVELOPMENT" has been provided by the Principal Developer in reliance upon their authority as experts in with respect to development within the District.

Updating of Official Statement

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

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Certification as to Official Statement

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

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

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

ATTEST:

/s/ Sue Darcy
Secretary, Board of Directors
Harris County Improvement District No. 18

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2019

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Improvement District No. 18, as of and for the year ended December 31, 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Improvement District No. 18, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGrath & Co, PLLC

Houston, Texas
April 22, 2020

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Improvement District No. 18 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2019, was negative $35,232,847. The District has financed certain road facilities, which have been conveyed to and assumed by Harris County for maintenance and other incidents of ownership, which has caused long term debt to be in excess of capital assets. A comparative summary of the District's overall financial position, as of December 31, 2019 and 2018, is as follows:

	2019	2018
Current assets	$ 57,214,994	$ 41,511,363
Capital assets	130,517,579	129,864,996
Total assets	187,732,573	171,376,359
Current liabilities	9,499,383	8,661,274
Long-term liabilities	196,548,968	186,609,466
Total liabilities	206,048,351	195,270,740
Total deferred inflows of resources	16,917,069	15,604,045
Net position		
Net investment in capital assets	2,258,653	(2,224,335)
Restricted	5,506,464	5,174,809
Unrestricted	(42,997,964)	(42,448,900)
Total net assets	$ (35,232,847)	$ (39,498,426)

The total net position of the District increased during the current fiscal year by $4,265,579. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Program revenues	$ 3,593,817	$ 3,232,476
General revenues	25,702,878	30,149,668
Total revenues	29,296,695	33,382,144
Expenses		
Water and sewer operations	5,994,955	5,247,807
Administrative	3,431,918	3,788,095
Developer interest	4,623,844	1,324,597
Debt interest and fees	5,500,229	5,519,635
Debt issuance costs	1,234,420	
Tourism expenses	544,159	
Transfers to other governments	730,852	2,077,528
Depreciation	2,970,739	2,696,299
Total expenses	25,031,116	20,653,961
Change in net position before other item	4,265,579	12,728,183
Other item		
Insurance recovery		170,789
Change in net position	4,265,579	12,898,972
Net position, beginning of year	(39,498,426)	(52,397,398)
Net position, end of year	$ (35,232,847)	$ (39,498,426)

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2019, were $37,895,208, which consists of $18,433,504 in the General Fund, $6,305,811 in the Debt Service Fund, $12,087,627 in the Capital Projects Fund, and $1,068,266 in the Hotel Occupancy Tax Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 25,585,732	$ 21,435,409
Total liabilities	$ 1,387,473	$ 1,999,293
Total deferred inflows	5,764,755	4,593,470
Total fund balance	18,433,504	14,842,646
Total liabilities, deferred inflows and fund balance	$ 25,585,732	$ 21,435,409

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

	2019	2018
Total revenues	$ 18,207,836	$ 22,311,482
Total expenditures	(14,616,978)	(22,028,580)
Revenues over expenditures	3,590,858	282,902
Other changes in fund balance		170,789
Net change in fund balance	$ 3,590,858	$ 453,691

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2018 levy was recognized as revenues in the 2019 fiscal year, while the 2017 levy was recognized in the 2018 fiscal year (to the extent that these amounts were collected). While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Revenues from utility services are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Harris County property tax rebates are dependent upon development within the District and amounts collected by Harris County and will fluctuate from year to year.
- Tap connection fees fluctuate with homebuilding activity within the District
- Sales and use tax revenues are dependent on consumer spending and sales activity on all taxable goods and services located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 18,272,524	$ 17,053,541
Total liabilities	$ 805,662	$ 180,374
Total deferred inflows	11,161,051	11,020,568
Total fund balance	6,305,811	5,852,599
Total liabilities, deferred inflows and fund balance	$ 18,272,524	$ 17,053,541

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

	2019	2018
Total revenues	$ 10,467,760	$ 10,602,015
Total expenditures	(10,014,548)	(10,003,659)
Revenues over expenditures	$ 453,212	$ 598,356

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 12,281,683	$ 1,917,789
Total liabilities	$ 194,056	$ 132,112
Total fund balance	12,087,627	1,785,677
Total liabilities and fund balance	$ 12,281,683	$ 1,917,789

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

	2019	2018
Total revenues	$ 62,065	$ 59,208
Total expenditures	(7,470,115)	(977,295)
Revenues under expenditures	(7,408,050)	(918,087)
Other changes in fund balance	17,710,000	
Net change in fund balance	$ 10,301,950	$ (918,087)

The District capital asset activity in the current year was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds, Series 2019 Unlimited Tax Park Bonds, and Defined Area No. 1 Series 2019 Unlimited Tax Road Bonds. The District's capital asset activity in the prior year was for improvements to existing facilities.

Hotel Occupancy Tax Fund

The Hotel Occupancy Tax Fund is used to account for the receipt and expenditure of hotel occupancy taxes levied by the District which are restricted to the purposes of promoting tourism and supporting the hotel/convention industry, pursuant to Texas Tax Code, Chapter 357. A comparative summary of the Special Revenue Fund's financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 1,075,055	$ 1,104,624
Total liabilities	$ 6,789	$ 2,135
Total fund balance	1,068,266	1,102,489
Total liabilities and fund balance	$ 1,075,055	$ 1,104,624

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

	2019	2018
Total revenues	$ 560,291	$ 508,249
Total expenditures	(594,514)	(14,677)
Revenues over/(under) expenditures	$ (34,223)	$ 493,572

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $8,598,758 greater than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Capital assets not being depreciated		
Land and improvements	$ 33,281,379	$ 33,043,956
Construction in progress	1,934,407	3,990,798
	35,215,786	37,034,754
Capital assets being depreciated		
Water, sewer and drainage facilities	84,607,082	82,201,565
Roads	749,238	749,238
Other facilities and equipment	2,156,848	2,101,776
Recreational facilities	5,980,009	3,258,257
Landscaping improvements	15,470,007	15,210,058
	108,963,184	103,520,894
Less accumulated depreciation		
Water, sewer and drainage facilities	(9,317,628)	(7,459,789)
Roads	(300,302)	(251,927)
Other facilities and equipment	(267,705)	(175,247)
Recreational facilities	(382,510)	(183,943)
Landscaping improvements	(3,393,246)	(2,619,746)
	(13,661,391)	(10,690,652)
Capital assets being depreciated, net	95,301,793	92,830,242
Total capital assets, net	$ 130,517,579	$ 129,864,996

Capital asset additions during the current year include the following:

- City Place Park Lower Plaza – utilities and landscaping
- City Place Roadways Phase II – utilities and landscaping
- Pedestrian Trails – East Mossy Oaks road connection to Holzwarth road

The District's construction in progress is for the construction of various detention, pedestrian trials and landscaping improvements.

Harris County assumes responsibility for all public roads constructed within the county; however, the District retains, by a maintenance declaration agreement, responsibility for enhancements on roadways (streetlights, pavers, landscaping, and bioswales). The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended December 31, 2019, capital assets in the amount of $730,852 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of December 31, 2019, the District owes $35,099,764 to developers for completed projects. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At December 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2013	$ 7,905,000	$ 8,180,000
2014	48,955,000	50,440,000
2015	19,650,000	20,225,000
2015 Parks	14,505,000	14,930,000
Defined Area No. 1 Series 2016 Road	11,040,000	11,355,000
2016	34,545,000	35,645,000
Defined Area No. 1 Series 2017 Road	14,245,000	14,630,000
2019	7,240,000	
2019 Parks	1,950,000	
Defined Area No. 1 Series 2019 Road	8,520,000	
	$ 168,555,000	$ 155,405,000

During the current year, the District issued $7,240,000 in unlimited tax bonds, $1,950,000 in unlimited tax park bonds, and $8,520,000 in Defined Area No. 1 unlimited tax road bonds. At December 31, 2019, the District had the following bonds authorized, but unissued:

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	$ 637,000,000	$ 132,075,000	$ 504,925,000
Transportation, mobility and transit facilities (Defined Area No. 1 only)	1,177,000,000	35,460,000	1,141,540,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	18,200,000	297,400,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	$ 2,331,700,000	$ 185,735,000	$ 2,145,965,000

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes, sales and use taxes, and utility services and the projected cost of operating the District and providing services to customers.

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2019 Actual	2020 Budget
Total revenues	$ 18,207,836	$ 11,735,315
Total expenditures	(14,616,978)	(10,992,368)
Revenues over expenditures	3,590,858	742,947
Beginning fund balance	14,842,646	18,433,504
Ending fund balance	$ 18,433,504	$ 19,176,451

Property Taxes

The District's property tax base increased approximately $371,225,000 for the 2019 tax year from $2,440,590,705 to $2,811,815,797. This increase was primarily due to increased property values. For the 2019 tax year, the District levied a maintenance tax rate of $0.285 per $100 of assessed value, a debt service tax rate of $0.45 per $100 of assessed value, and a Defined Area No. 1 only road maintenance tax rate of $0.26. The total combined tax rate for property not located in Defined Area No. 1 is $0.735 per $100, while the total combined tax rate of all other property in the District (i.e., property in Defined Area No. 1) is $0.995 per $100 of assessed value. Tax rates for the 2018 tax year were $0.25 per $100 for maintenance and operations, $0.50 per $100 for debt service, and $0.30 per $100 the Defined Area No. 1 only road maintenance tax.

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Basic Financial Statements

Harris County Improvement District No. 18
Statement of Net Position - Governmental Activities
December 31, 2019

Assets		
Cash	$	7,332,278
Investments		31,405,267
Property taxes receivable		16,611,986
Customer service receivables		413,262
Sales and use taxes receivable		1,124,093
Hotel occupancy taxes receivable		118,336
Accrued interest receivable		49,379
Other receivables		112,923
Prepaid items		47,470
Capital assets not being depreciated		35,215,786
Capital assets, net		95,301,793
Total Assets		187,732,573
Liabilities		
Accounts payable		1,139,516
Other payables		780,520
Retainage payable		76,656
Accrued interest payable		1,904,548
Customer deposits		368,143
Due to developers		35,099,764
Long-term debt		
Due within one year		5,230,000
Due after one year		161,449,204
Total Liabilities		206,048,351
Deferred Inflows of Resources		
Deferred property taxes		16,917,069
Net Position		
Net investment in capital assets		2,258,653
Restricted for debt service		4,438,198
Restricted for other services		1,068,266
Unrestricted		(42,997,964)
Total Net Position	$	(35,232,847)

See notes to basic financial statements.

Harris County Improvement District No. 18
Statement of Activities - Governmental Activities
For the Year Ended December 31, 2019

Expenses		
Water and sewer operations		
Regional Water Authority fees	$	1,060,574
Tap connection and inspection		171,070
Repairs and maintenance		4,556,041
Utilities		207,270
Administrative		
Professional fees		1,650,816
Contracted services		1,545,045
Tree farm ground lease		60,000
Administrative		140,032
Miscellaneous		36,025
Developer interest		4,623,844
Interest and fees		5,500,229
Debt issuance costs		1,234,420
Tourism		544,159
Intergovernmental		
Transfers to other governments		730,852
Depreciation		2,970,739
Total Expenses		25,031,116
Program Revenues		
Charges for utility services		2,922,590
Tap connection and inspection		632,777
Penalties and interest		38,450
Total program revenues		3,593,817
Net Program Expense		(21,437,299)
General Revenues		
Property taxes		14,928,416
Sales and use taxes		4,337,509
Hotel occupancy taxes		536,004
Penalties and interest		5,087
Harris County property tax rebate		4,168,031
Capital recovery fees		843,847
Miscellaneous		129,839
Investment earnings		754,145
Total general revenues		25,702,878
Revenues Over Expenses		4,265,579
Net Position		
Beginning of the year		(39,498,426)
End of the year	$	(35,232,847)

See notes to basic financial statements.

Harris County Improvement District No. 18
Balance Sheet - Governmental Funds
December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Hotel Occupancy Tax Fund	Total
Assets					
Cash	$ 637,020	$ 284,745	$ 6,356,734	$ 53,779	$ 7,332,278
Investments	17,227,991	7,349,387	5,924,949	902,940	31,405,267
Property taxes receivable	5,674,653	10,937,333			16,611,986
Customer service receivables	413,262				413,262
Sales and use taxes receivable	1,124,093				1,124,093
Hotel occupancy taxes receivable				118,336	118,336
Internal balances	315,089	(315,089)			
Accrued interest receivable	33,231	16,148			49,379
Other receivables	112,923				112,923
Prepaid items	47,470				47,470
Total Assets	$ 25,585,732	$ 18,272,524	$ 12,281,683	$ 1,075,055	$ 57,214,994
Liabilities					
Accounts payable	$ 938,671	$ -	$ 194,056	$ 6,789	$ 1,139,516
Other payables	4,003	776,517			780,520
Retainage payable	76,656				76,656
Accrued interest payable		29,145			29,145
Customer deposits	368,143				368,143
Total Liabilities	1,387,473	805,662	194,056	6,789	2,393,980
Deferred Inflows of Resources					
Deferred property taxes	5,764,755	11,161,051			16,925,806
Fund Balances					
Nonspendable	47,470				47,470
Restricted		6,305,811	12,087,627	1,068,266	19,461,704
Unassigned	18,386,034				18,386,034
Total Fund Balances	18,433,504	6,305,811	12,087,627	1,068,266	37,895,208
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 25,585,732	$ 18,272,524	$ 12,281,683	$ 1,075,055	$ 57,214,994

See notes to basic financial statements.

Harris County Improvement District No. 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total fund balance, governmental funds		$ 37,895,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 144,178,970	
Less accumulated depreciation	(13,661,391)	
Change due to capital assets		130,517,579
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists		
Bonds payable, net	(166,679,204)	
Accrued interest payable	(1,875,403)	
Change due to debt		(168,554,607)
Amounts due to the District's developers for construction costs, operating advances and other costs are recorded as a liability in the *Statement of Net Position*.		(35,099,764)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable and collections of the 2019 levy. In the government wide statements, however, deferred inflows consist of the entire 2019 property tax levy.		
Fund level deferred property taxes	16,925,806	
Government wide level deferred property taxes	(16,917,069)	
Change due to deferred inflows		8,737
Total net position - governmental activities		$ (35,232,847)

See notes to basic financial statements.

Harris County Improvement District No. 18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Hotel Occupancy Tax Fund	Total
Revenues					
Charges for utility services	$ 2,922,590	$ -	$ -	$ -	$ 2,922,590
Property taxes	4,734,648	10,194,011			14,928,659
Penalties and interest	38,450	6,101			44,551
Harris County property tax rebate	4,168,031				4,168,031
Sales and use taxes	4,337,509				4,337,509
Tap connection and inspection fees	632,777				632,777
Hotel occupancy taxes				536,004	536,004
Capital recovery fees	843,847				843,847
Miscellaneous	121,032	8,807			129,839
Investment earnings	408,952	258,841	62,065	24,287	754,145
Total Revenues	18,207,836	10,467,760	62,065	560,291	29,297,952
Expenditures					
Current					
Professional fees	1,429,999		193,211	27,606	1,650,816
Contracted services	1,561,336	129,541	2,499	22,738	1,716,114
Repairs and maintenance	4,555,063		978		4,556,041
Regional Water Authority fees	1,060,574				1,060,574
Utilities	207,270				207,270
Tree farm ground lease	60,000				60,000
Administrative	135,974	3,921	127	11	140,033
Tourism				544,159	544,159
Miscellaneous	36,025				36,025
Capital outlay	1,402,706		5,583,067		6,985,773
Debt service					
Principal		4,560,000			4,560,000
Developer interest	4,168,031		455,813		4,623,844
Interest and fees		5,321,086			5,321,086
Debt issuance costs			1,234,420		1,234,420
Total Expenditures	14,616,978	10,014,548	7,470,115	594,514	32,696,155
Revenues over/(under) expenditures	3,590,858	453,212	(7,408,050)	(34,223)	(3,398,203)
Other Financing Sources					
Proceeds from sale of bonds			17,710,000		17,710,000
Net change in fund balances	3,590,858	453,212	10,301,950	(34,223)	14,311,797
Fund Balances					
Beginning of the year	14,842,646	5,852,599	1,785,677	1,102,489	23,583,411
End of the year	$ 18,433,504	$ 6,305,811	$ 12,087,627	$ 1,068,266	$ 37,895,208

See notes to basic financial statements.

Harris County Improvement District No. 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds		$ 14,311,797
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		(1,257)
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 6,985,773	
Depreciation expense	(2,970,739)	
		4,015,034
The District conveys certain roads to Harris County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(730,852)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(17,710,000)	
Principal payments	4,560,000	
Interest expense accrual	(179,143)	
		(13,329,143)
Change in net position of governmental activities		$ 4,265,579

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

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

Creation

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

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

Reporting Entity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2019, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

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

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

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

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2019 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2019 property tax levy, which was levied to finance the 2020 fiscal year.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

Note 2 – Deposits and Investments (continued)

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

As of December 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 3,620,000			
	Debt Service	1,920,000			
		5,540,000	18%	N/A	N/A
Texas CLASS	General	13,607,991			
	Debt Service	5,429,387			
	Capital Projects	5,924,949			
	Hotel Tax	902,940			
		25,865,267	82%	AAAm	52 days
Total		$ 31,405,267	100%		

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

Texas CLASS

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

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

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

Note 2 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

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

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2019, consist of the following:

Recievable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	$ 315,089	Maintenance tax collections not remitted as of year end.

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

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements/ Adjustments	Ending Balances
Capital assets not being depreciated				
Land and improvements	$ 33,043,956	$ 237,423	$ -	$ 33,281,379
Construction in progress	3,990,798	1,668,987	(3,725,378)	1,934,407
	37,034,754	1,906,410	(3,725,378)	35,215,786
Capital assets being depreciated				
Water, sewer and drainage facilities	82,201,565	2,405,517		84,607,082
Roads	749,238			749,238
Other facilities and equipment	2,101,776	55,072		2,156,848
Recreational facilities	3,258,257	2,721,752		5,980,009
Landscaping improvements	15,210,058	259,949		15,470,007
Subtotal	103,520,894	5,442,290		108,963,184
Less accumulated depreciation				
Water, sewer and drainage facilities	(7,459,789)	(1,857,839)		(9,317,628)
Roads	(251,927)	(48,375)		(300,302)
Other facilities and equipment	(175,247)	(92,458)		(267,705)
Recreational facilities	(183,943)	(198,567)		(382,510)
Landscaping improvements	(2,619,746)	(773,500)		(3,393,246)
Subtotal	(10,690,652)	(2,970,739)		(13,661,391)
Capital assets being depreciated, net	92,830,242	2,471,551		95,301,793
Total capital assets, net	$ 129,864,996	$ 4,377,961	$ (3,725,378)	$ 130,517,579

Depreciation expense for the current year was $2,970,739.

The District has contractual commitments for construction projects in the amount of $4,573,662, which are included in the following schedule. These projects are included in construction in progress in the governmentwide financial statements.

	Contract Amount	Amounts Paid	Remaining Commitment
City Place landscape improvements Phase III and City Place park pond 4 detention	$ 1,193,222	$ 599,784	$ 593,438
Spring Stuebner detention expansion - Phase II	406,975		406,975
Ground storage tank no.2	3,573,250		3,573,250
	$ 5,173,446	$ 599,784	$ 4,573,662

Note 5 – Due to Developers

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

Changes in amounts due to developers are estimated to be as follows:

Due to developers, beginning of year	$	37,731,364
Developers funded construction and adjustments		998,392
Amounts paid to developers for capital assets		(3,629,992)
Due to developers, end of year	$	35,099,764

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$	168,555,000
Unamortized discounts		(1,875,796)
	$	166,679,204
Due within one year	$	5,230,000

Note 6 – Long-Term Debt (continued)

The District's bonds payable at December 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	$ 7,905,000	$ 9,165,000	2.00% - 4.00%	September 1, 2015 - 2037	March1, September 1	September 1, 2020
2014	48,955,000	55,650,000	3.00% - 5.00%	September 1, 2015 - 2038	March1, September 1	September 1, 2022
2015	19,650,000	22,020,000	2.00% - 4.00%	September 1, 2016 - 2040	March1, September 1	September 1, 2023
2015 Parks	14,505,000	16,250,000	3.00% - 5.50%	September 1, 2016 - 2040	March1, September 1	September 1, 2023
2016 Defined Area No.1 Road	11,040,000	11,940,000	2.00% - 3.50%	September 1, 2017 - 2040	March1, September 1	September 1, 2023
2016	34,545,000	38,000,000	2.00% - 4.00%	September 1, 2017 - 2041	March1, September 1	September 1, 2024
2017 Defined Area No.1 Road	14,245,000	15,000,000	3.00% - 4.00%	September 1, 2018 - 2041	March1, September 1	September 1, 2024
2019	7,240,000	7,240,000	3.00% - 3.00%	September 1, 2020 - 2044	March1, September 1	September 1, 2024
2019 Parks	1,950,000	1,950,000	2.00% - 4.00%	September 1, 2020 - 2044	March1, September 1	September 1, 2024
2019 Defined Area No.1 Road	8,520,000	8,520,000	2.00% - 3.00%	September 1, 2020 - 2044	March1, September 1	September 1, 2024
	$ 168,555,000					

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

Note 6 – Long-Term Debt (continued)

At December 31, 2019, the District had authorized but unissued bonds as follow:

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	$ 637,000,000	$ 132,075,000	$ 504,925,000
Transportation, mobility and transit facilities (Defined Area No. 1 only)	1,177,000,000	35,460,000	1,141,540,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	18,200,000	297,400,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	$ 2,331,700,000	$ 185,735,000	$ 2,145,965,000

On July 24, 2019, the District issued its $7,240,000 Series 2019 Unlimited Tax Bonds and $1,950,000 Series 2019 Unlimited Tax Park Bonds at a net effective interest rate of 3.068733% and 3.096569%, respectively. Proceeds of the bonds were used to reimburse developers for the construction, engineering fees and other costs associated with the construction of capital assets within the District plus interest expense at the net effective interest rate of the bonds.

On November 20, 2019, the District issued its $8,520,000 Defined Area No. 1 Series 2019 Unlimited Tax Road Bonds at a net effective interest rate of 2.948886%. Proceeds of the bonds were used to reimburse developers for the construction, engineering fees and other costs associated with the construction of road improvements within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	$ 155,405,000
Bonds issued	17,710,000
Bonds retired	(4,560,000)
Bonds payable, end of year	$ 168,555,000

Note 6 – Long-Term Debt (continued)

As of December 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	$ 5,230,000	$ 5,648,977	$ 10,878,977
2021	5,430,000	5,437,934	10,867,934
2022	5,665,000	5,228,536	10,893,536
2023	5,915,000	5,010,433	10,925,433
2024	6,160,000	4,843,785	11,003,785
2025	6,420,000	4,650,489	11,070,489
2026	6,695,000	4,458,427	11,153,427
2027	6,985,000	4,254,264	11,239,264
2028	7,285,000	4,052,375	11,337,375
2029	7,595,000	3,834,039	11,429,039
2030	7,930,000	3,599,626	11,529,626
2031	8,275,000	3,348,183	11,623,183
2032	8,620,000	3,083,432	11,703,432
2033	8,995,000	2,800,751	11,795,751
2034	9,380,000	2,498,750	11,878,750
2035	9,800,000	2,176,664	11,976,664
2036	10,220,000	1,836,706	12,056,706
2037	10,665,000	1,468,701	12,133,701
2038	10,465,000	1,083,276	11,548,276
2039	6,795,000	703,356	7,498,356
2040	7,050,000	468,412	7,518,412
2041	4,005,000	224,569	4,229,569
2042	960,000	89,250	1,049,250
2043	990,000	60,450	1,050,450
2044	1,025,000	30,750	1,055,750
	$ 168,555,000	$ 70,892,135	$ 239,447,135

Note 7 – Property Taxes

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

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

Note 7 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.75 per \$100 of assessed value for property not located in Defined Area No. 1 and \$1.05 per \$100 of assessed value for property located in Defined Area No.1. The components of the tax rates are \$0.25 per \$100 for maintenance and operations, \$0.50 per \$100 for debt service, and \$0.30 for Defined Area No. 1 only road maintenance tax. The resulting tax levy was \$19,245,479 on the adjusted taxable value of \$2,440,590,705.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2019 levy collections in the amount of have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2019 tax levy of \$16,917,069 is reported as deferred inflows. These amounts will be recognized as revenue in 2020.

Property taxes receivable, at December 31, 2019, consisted of the following:

Current tax year receivable	\$ 16,603,249
Prior tax years receivable	6,610
	16,609,859
Penalty and interest receivable	2,127
Total property taxes receivable	\$ 16,611,986

Note 8 – Sales and Use Taxes

On November 3, 2009, the voters of the District authorized the District to levy, assess and collect District-wide sales and use tax not to exceed one percent. A one percent tax was levied in November 2009. For the year ended December 31, 2019, the District recorded sales and use taxes in the amount of \$4,337,509.

Note 9 – Hotel Occupancy Taxes

Effective February 27, 2013, the District levied a 7% hotel occupancy tax. Revenues collected from this tax are restricted by state statute to expenditure for the promotion of tourism and support of convention/hotel activity. For the year ended December 31, 2019, the District collected hotel occupancy taxes in the amount of \$536,004.

Note 10 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads and streets constructed within the County. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2019, the District reported transfers to other governments in the amount of $730,852 for projects completed and transferred to other governments.

Note 11 – Lease Agreement

On June 25, 2013, the District entered into a tree farm ground lease, which is for a 60-month term, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. Total costs for such lease for the fiscal year ended December 31, 2019 was $60,000. The District is responsible for all ordinary expenses related to repairing and maintaining the grounds.

The monthly payment for the lease is $5,000. This lease is month to month. The January 2020 payment is recorded as a prepaid expense on the *Statement of Net Position*.

Note 12 – Economic Development Agreement with Harris County

On December 12, 2012, the District entered into an economic development agreement (the "Agreement") with Harris County, whereby the County will rebate a portion of the County's tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads and certain park improvements within the District. The Agreement obligates the County to rebate up to $82,000,000 plus interest to the District to finance these improvements. The term of the agreement is through the tax year ending December 31, 2042. The Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not determined to pledge such revenue to any future bond issue. During the current fiscal year, the County has rebated $4,168,031.

Note 13 – Contingent Liabilities and Litigation

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

Note 13 – Contingent Liabilities and Litigation (continued)

On September 27, 2019, Springwoods filed a motion to reinstate the appeal. Since this motion there has been no movement in this case. The Court of Appeals has not issued any correspondence, set any hearings, or issued any rulings since that time.

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

On December 12, 2016, Hassell derivatively by and through its shareholder Royce Hassell; R. Hassell & Company Inc.; and R. Hassell Builders (R. Hassell) filed a separate lawsuit to reopen the original case to the satisfaction of Royce Hassell as an owner of HCCI and on behalf of shareholders. R. Hassell alleges that Hassell nonsuited its claims without Royce Hassell's consent and without securing a settlement. Both Springwoods and the District filed motions for summary judgment, arguing that R. Hassell's claims are time-barred by the applicable statute of limitations. The court granted the motions for summary judgment on July 14, 2017. On October 27, 2017, R. Hassell filed a notice to appeal; which was abated on July 10, 2018, following R. Hassell's Chapter 11 bankruptcy filing. On September 27, 2019, Springwoods filed a motion to reinstate the appeal. Since this motion there has been no movement in this case. The Court of Appeals has not issued any correspondence, set any hearings, or issued any rulings since that time.

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

Note 14 – Water, Sanitary Sewer and Drainage Capacity Allocation Agreement

On May 8, 2014, the District entered into a Water, Sanitary Sewer and Drainage Capacity Allocation Agreement with St. Luke's Community Health Services ("SLCHS") for the reservation of water supply and wastewater treatment capacity to serve future development within the District's boundaries. It is anticipated that the future development will contain certain portions of property and improvements that will be exempt from ad valorem taxation by the District. As a result, pursuant to Section 49.212 of the Texas Water Code, as amended, the District collected $843,847 in capital recovery fees from SLCHS to cover the District's cost of design, financing, and construction of the facilities necessary to provide service to the tax exempt portions of property and improvements that are financed or are intended to be financed in whole or in part by tax supported District bonds.

Note 15 – Risk Management

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

Note 16 – Concentration of Risk

Approximately 90% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

Harris County Improvement District No. 18
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for utility services	$ 2,485,000	$ 2,922,590	$ 437,590
Property taxes	4,420,000	4,734,648	314,648
Penalties and interest	5,000	38,450	33,450
Harris County property tax rebate		4,168,031	4,168,031
Sales and use taxes	2,330,000	4,337,509	2,007,509
Tap connection and inspection fees	502,500	632,777	130,277
Capital recovery fees		843,847	843,847
Miscellaneous	25,000	121,032	96,032
Investment earnings	25,000	408,952	383,952
Total Revenues	9,792,500	18,207,836	8,415,336
Expenditures			
Current			
Professional fees	2,078,500	1,429,999	648,501
Contracted services	1,632,000	1,561,336	70,664
Repairs and maintenance	4,101,000	4,555,063	(454,063)
Regional Water Authority fees	840,000	1,060,574	(220,574)
Utilities	213,000	207,270	5,730
Tree farm ground lease	60,000	60,000	
Administrative	181,000	135,974	45,026
Miscellaneous	21,000	36,025	(15,025)
Capital outlay	5,673,900	1,402,706	4,271,194
Debt Service			
Developer interest		4,168,031	(4,168,031)
Total Expenditures	14,800,400	14,616,978	183,422
Revenues Over/(Under) Expenditures	(5,007,900)	3,590,858	8,598,758
Fund Balance			
Beginning of the year	14,842,646	14,842,646	
End of the year	$ 9,834,746	$ 18,433,504	$ 8,598,758

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Harris County Improvement District No. 18
TSI-1. Services and Rates
December 31, 2019

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

X	Retail Water		Wholesale Water	X	Solid Waste / Garbage	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Flood Control	X	Irrigation
X	Parks / Recreation		Fire Protection	X	Roads (defined area no. 1)	X	Security

[ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[X] Other (Specify): Non-potable water for construction use

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 11.00	- 0 -	N	$ 0.75	1,001	to	5,000
				$ 1.50	5,001	to	25,000
				$ 2.75	25,001	to	60,000
				$ 3.75	60,001	to	no limit
Irrigation:	$ 11.00	- 0 -	N	Irrigation rates are the same as for water			
Wastewater:	$ 42.87	- 0 -	N	$ 0.75	1,001	to	5,000
				$ 1.50	5,001	to	no limit

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

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

Total charges per 10,000 gallons usage: Water $ 25.80 Wastewater $ 53.37

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	51	51	x 1.0	51
1"	24	23	x 2.5	58
1.5"	5	5	x 5.0	25
2"	34	33	x 8.0	264
3"	3	3	x 15.0	45
4"	2	2	x 25.0	
6"	7	7	x 50.0	350
8"	9	9	x 80.0	720
10"			x 115.0	0
12"			x 150.0	0
Total Water	135	133		1,513
Total Wastewater	93	93	x 1.0	93

See accompanying auditors' report.

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

Gallons pumped into system:	277,525,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	270,810,000	97.58%

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

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

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

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

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

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

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

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

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

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

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

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

ETJs in which the District is located: City of Houston

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

If Yes, by whom? Texas Commission on Environmental Quality

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-2. General Fund Expenditures
For the Year Ended December 31, 2019

Professional fees	
Legal	$ 258,438
Audit	25,500
Engineering	1,146,061
	1,429,999
Contracted services	
Bookkeeping	63,398
Operator	291,064
Security	685,886
Garbage	20,464
Tap connection and inspection	171,070
Sludge haul	55,933
District management	273,521
	1,561,336
Repairs and maintenance	4,555,063
Regional Water Authority fees	1,060,574
Utilities	207,270
Tree farm ground lease	60,000
Administrative	
Directors fees	8,400
Printing and office supplies	7,371
Insurance	69,671
Other	50,532
	135,974
Miscellaneous	36,025
Capital outlay	1,402,706
Developer interest	4,168,031
Total expenditures	$ 14,616,978

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	2,450,159 kWh's	$ 190,709
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-3. Investments
December 31, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest
General				
Certificate of deposit	2.60%	4/29/2020	$ 240,000	$ 4,257
Certificate of deposit	2.05%	12/3/2020	240,000	364
Certificate of deposit	2.05%	10/2/2020	500,000	2,534
Certificate of deposit	1.80%	12/3/2020	240,000	320
Certificate of deposit	2.60%	4/25/2020	240,000	4,257
Certificate of deposit	2.58%	7/28/2020	240,000	2,629
Certificate of deposit	2.70%	4/25/2020	240,000	4,421
Certificate of deposit	2.00%	11/3/2020	240,000	750
Certificate of deposit	2.65%	5/8/2020	240,000	4,147
Certificate of deposit	2.00%	9/1/2020	240,000	1,578
Certificate of deposit	2.60%	7/4/2020	240,000	3,077
Certificate of deposit	2.60%	4/28/2020	240,000	4,204
Certificate of deposit	2.10%	12/3/2020	240,000	373
Certificate of deposit	1.80%	12/3/2020	240,000	320
Texas CLASS	Variable	N/A	13,607,991	
			17,227,991	33,231
Debt Service				
Certificate of deposit	2.75%	8/26/2020	240,000	2,278
Certificate of deposit	2.50%	8/5/2020	240,000	2,416
Certificate of deposit	2.15%	8/26/2020	240,000	1,781
Certificate of deposit	2.22%	8/19/2020	240,000	1,941
Certificate of deposit	2.35%	8/15/2020	240,000	2,117
Certificate of deposit	2.45%	8/18/2020	240,000	2,175
Certificate of deposit	2.10%	8/24/2020	240,000	1,754
Certificate of deposit	2.05%	8/27/2020	240,000	1,686
Texas CLASS	Variable	N/A	4,318,669	
Texas CLASS	Variable	N/A	1,110,718	
			7,349,387	16,148
Capital Projects				
Texas CLASS	Variable	N/A	185,494	
Texas CLASS	Variable	N/A	5,507,650	
Texas CLASS	Variable	N/A	231,805	
			5,924,949	
Hotel Occupancy Tax				
Texas CLASS	Variable	N/A	902,940	
Total - All Funds			$ 31,405,267	$ 49,379

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-4. Taxes Levied and Receivable
December 31, 2019

	Maintenance Taxes	Road Debt Service Taxes	WSD Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	$ 4,516,381	$ 1,742,397	$ 9,028,347	$ 15,287,125
Adjustments (Including Rollbacks)	142,123	(24,779)	43,023	160,367
Adjusted Receivable	4,658,504	1,717,618	9,071,370	15,447,492
2018 Original Tax Levy	5,628,530	1,947,362	8,887,153	16,463,045
Adjustments	135,278	105,147	213,599	454,024
Adjusted Tax Levy	5,763,808	2,052,509	9,100,752	16,917,069
Total to be accounted for	10,422,312	3,770,127	18,172,122	32,364,561
Tax collections:				
Current year	90,102	81,452	142,266	313,820
Prior years	4,657,557	1,713,778	9,069,547	15,440,882
Total Collections	4,747,659	1,795,230	9,211,813	15,754,702
Taxes Receivable, End of Year	$ 5,674,653	$ 1,974,897	$ 8,960,309	$ 16,609,859
Taxes Receivable, By Years				
2019	$ 5,673,706	$ 1,971,057	$ 8,958,486	$ 16,603,249
2018	892	1,360	1,783	4,035
2017	53	12	39	104
2016	2	2,468	1	2,471
	$ 5,674,653	$ 1,974,897	$ 8,960,309	$ 16,609,859

	2019	2018	2017	2016
Property Valuations:				
Land	$ 781,625,088	$ 730,066,046	$ 753,885,027	$ 706,524,672
Improvements	2,158,109,889	1,878,757,090	1,626,086,094	1,553,982,769
Personal Property	261,212,825	214,930,034	262,938,465	224,590,110
Exemptions	(389,132,005)	(383,162,465)	(396,874,402)	(332,749,645)
Total Property Valuations	$ 2,811,815,797	$ 2,440,590,705	$ 2,246,035,184	$ 2,152,347,906
Tax Rates per $100 Valuation:				
Maintenance and operations	$ 0.285	$ 0.25	$ 0.640	$ 0.82
Defined Area No. 1 road debt service	0.260	0.30	0.365	0.17
Debt service	0.450	0.50	0.480	0.51
Total Tax Rates per $100 Valuation	$ 0.995	$ 1.05	$ 1.485	$ 1.50
Adjusted Tax Levy	$ 14,864,561	$ 13,746,771	$ 19,963,408	$ 22,925,794
Defined Area No. 1 Tax Levy	2,052,508	5,498,708	6,505,932	2,930,365
Total Adjusted Tax Levy	$ 16,917,069	$ 19,245,479	$ 26,469,340	$ 25,856,159
Percentage of Taxes Collected to Taxes Levied **	1.86%	99.99%	99.99%	99.99%

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

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

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

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 290,000	$ 271,415	$ 561,415
2021	300,000	262,715	562,715
2022	315,000	253,715	568,715
2023	330,000	244,264	574,264
2024	345,000	234,364	579,364
2025	365,000	224,014	589,014
2026	380,000	212,700	592,700
2027	400,000	197,500	597,500
2028	415,000	184,500	599,500
2029	435,000	171,013	606,013
2030	460,000	155,788	615,788
2031	480,000	139,688	619,688
2032	500,000	122,888	622,888
2033	525,000	104,763	629,763
2034	550,000	85,731	635,731
2035	575,000	65,794	640,794
2036	605,000	44,950	649,950
2037	635,000	23,019	658,019
	$ 7,905,000	$ 2,998,821	$ 10,903,821

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 1,565,000	$ 1,790,344	$ 3,355,344
2021	1,645,000	1,712,094	3,357,094
2022	1,730,000	1,629,844	3,359,844
2023	1,825,000	1,543,344	3,368,344
2024	1,920,000	1,488,594	3,408,594
2025	2,020,000	1,430,993	3,450,993
2026	2,125,000	1,370,394	3,495,394
2027	2,235,000	1,306,644	3,541,644
2028	2,355,000	1,239,593	3,594,593
2029	2,480,000	1,163,056	3,643,056
2030	2,610,000	1,082,455	3,692,455
2031	2,745,000	994,369	3,739,369
2032	2,890,000	901,725	3,791,725
2033	3,040,000	800,575	3,840,575
2034	3,200,000	690,375	3,890,375
2035	3,370,000	574,375	3,944,375
2036	3,545,000	448,000	3,993,000
2037	3,730,000	306,200	4,036,200
2038	3,925,000	157,000	4,082,000
	$ 48,955,000	$ 20,629,974	$ 69,584,974

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 600,000	$ 639,363	$ 1,239,363
2021	625,000	627,363	1,252,363
2022	650,000	614,863	1,264,863
2023	680,000	601,863	1,281,863
2024	705,000	588,263	1,293,263
2025	735,000	560,063	1,295,063
2026	765,000	541,688	1,306,688
2027	800,000	518,738	1,318,738
2028	835,000	494,738	1,329,738
2029	870,000	469,688	1,339,688
2030	905,000	443,588	1,348,588
2031	945,000	415,306	1,360,306
2032	985,000	384,594	1,369,594
2033	1,025,000	352,581	1,377,581
2034	1,070,000	317,988	1,387,988
2035	1,115,000	280,538	1,395,538
2036	1,165,000	241,513	1,406,513
2037	1,215,000	199,281	1,414,281
2038	1,265,000	155,238	1,420,238
2039	1,320,000	107,800	1,427,800
2040	1,375,000	55,000	1,430,000
	$ 19,650,000	$ 8,610,057	$ 28,260,057

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2015 Parks--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 440,000	$ 514,762	$ 954,762
2021	460,000	491,112	951,112
2022	480,000	468,112	948,112
2023	500,000	444,112	944,112
2024	520,000	419,113	939,113
2025	545,000	393,113	938,113
2026	565,000	365,863	930,863
2027	590,000	337,613	927,613
2028	615,000	319,913	934,913
2029	640,000	301,463	941,463
2030	670,000	282,263	952,263
2031	700,000	261,325	961,325
2032	725,000	240,325	965,325
2033	760,000	216,763	976,763
2034	790,000	193,963	983,963
2035	825,000	167,300	992,300
2036	860,000	142,550	1,002,550
2037	895,000	114,600	1,009,600
2038	935,000	87,750	1,022,750
2039	975,000	59,700	1,034,700
2040	1,015,000	30,450	1,045,450
	$ 14,505,000	$ 5,852,165	$ 20,357,165

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2016 Defined Area No. 1 Road--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 325,000	$ 346,107	$ 671,107
2021	340,000	339,606	679,606
2022	355,000	332,807	687,807
2023	375,000	325,706	700,706
2024	390,000	318,206	708,206
2025	405,000	306,506	711,506
2026	425,000	294,356	719,356
2027	445,000	281,606	726,606
2028	465,000	268,256	733,256
2029	485,000	254,306	739,306
2030	510,000	239,150	749,150
2031	530,000	223,213	753,213
2032	555,000	205,988	760,988
2033	580,000	187,950	767,950
2034	605,000	168,375	773,375
2035	635,000	147,956	782,956
2036	660,000	126,525	786,525
2037	690,000	103,425	793,425
2038	720,000	79,275	799,275
2039	755,000	54,075	809,075
2040	790,000	27,650	817,650
	$ 11,040,000	$ 4,631,044	$ 15,671,044

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 1,130,000	$ 1,071,132	$ 2,201,132
2021	1,165,000	1,025,931	2,190,931
2022	1,200,000	979,332	2,179,332
2023	1,235,000	931,331	2,166,331
2024	1,275,000	906,632	2,181,632
2025	1,310,000	879,537	2,189,537
2026	1,350,000	850,063	2,200,063
2027	1,390,000	818,000	2,208,000
2028	1,435,000	781,512	2,216,512
2029	1,475,000	742,050	2,217,050
2030	1,520,000	697,800	2,217,800
2031	1,565,000	652,200	2,217,200
2032	1,615,000	605,249	2,220,249
2033	1,660,000	556,800	2,216,800
2034	1,710,000	504,924	2,214,924
2035	1,765,000	451,488	2,216,488
2036	1,815,000	394,124	2,209,124
2037	1,870,000	335,138	2,205,138
2038	1,925,000	272,025	2,197,025
2039	1,985,000	207,056	2,192,056
2040	2,045,000	140,062	2,185,062
2041	2,105,000	71,044	2,176,044
	$ 34,545,000	$ 13,873,430	$ 48,418,430

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2017 Defined Area No. 1 Road--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 405,000	$ 512,569	$ 917,569
2021	420,000	496,369	916,369
2022	440,000	479,569	919,569
2023	460,000	461,969	921,969
2024	475,000	443,569	918,569
2025	495,000	424,569	919,569
2026	520,000	404,769	924,769
2027	540,000	389,169	929,169
2028	565,000	372,969	937,969
2029	585,000	356,019	941,019
2030	610,000	337,738	947,738
2031	640,000	317,913	957,913
2032	665,000	296,313	961,313
2033	695,000	273,869	968,869
2034	725,000	249,544	974,544
2035	755,000	223,263	978,263
2036	785,000	195,894	980,894
2037	820,000	167,438	987,438
2038	855,000	136,688	991,688
2039	890,000	104,625	994,625
2040	930,000	71,250	1,001,250
2041	970,000	36,375	1,006,375
	$ 14,245,000	$ 6,752,450	$ 20,997,450

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 160,000	$ 253,400	$ 413,400
2021	195,000	212,400	407,400
2022	200,000	206,550	406,550
2023	205,000	200,550	405,550
2024	215,000	194,400	409,400
2025	220,000	187,950	407,950
2026	230,000	181,350	411,350
2027	240,000	174,450	414,450
2028	245,000	167,250	412,250
2029	255,000	159,900	414,900
2030	265,000	152,250	417,250
2031	275,000	144,300	419,300
2032	280,000	136,050	416,050
2033	290,000	127,650	417,650
2034	300,000	118,950	418,950
2035	310,000	109,950	419,950
2036	325,000	100,650	425,650
2037	335,000	90,900	425,900
2038	345,000	80,850	425,850
2039	360,000	70,500	430,500
2040	370,000	59,700	429,700
2041	385,000	48,600	433,600
2042	400,000	37,050	437,050
2043	410,000	25,050	435,050
2044	425,000	12,750	437,750
	$ 7,240,000	$ 3,253,400	$ 10,493,400

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2019 Parks--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 45,000	$ 65,093	$ 110,093
2021	50,000	53,994	103,994
2022	55,000	51,994	106,994
2023	55,000	50,344	105,344
2024	60,000	48,694	108,694
2025	60,000	46,894	106,894
2026	60,000	45,694	105,694
2027	65,000	44,494	109,494
2028	65,000	43,194	108,194
2029	70,000	41,894	111,894
2030	70,000	40,319	110,319
2031	75,000	38,569	113,569
2032	75,000	36,600	111,600
2033	80,000	34,350	114,350
2034	80,000	31,950	111,950
2035	85,000	29,550	114,550
2036	85,000	27,000	112,000
2037	90,000	24,450	114,450
2038	95,000	21,750	116,750
2039	95,000	18,900	113,900
2040	100,000	16,050	116,050
2041	105,000	13,050	118,050
2042	105,000	9,900	114,900
2043	110,000	6,750	116,750
2044	115,000	3,450	118,450
	$ 1,950,000	$ 844,927	$ 2,794,927

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2019 Defined Area No. 1 Road--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 270,000	$ 184,792	$ 454,792
2021	230,000	216,350	446,350
2022	240,000	211,750	451,750
2023	250,000	206,950	456,950
2024	255,000	201,950	456,950
2025	265,000	196,850	461,850
2026	275,000	191,550	466,550
2027	280,000	186,050	466,050
2028	290,000	180,450	470,450
2029	300,000	174,650	474,650
2030	310,000	168,275	478,275
2031	320,000	161,300	481,300
2032	330,000	153,700	483,700
2033	340,000	145,450	485,450
2034	350,000	136,950	486,950
2035	365,000	126,450	491,450
2036	375,000	115,500	490,500
2037	385,000	104,250	489,250
2038	400,000	92,700	492,700
2039	415,000	80,700	495,700
2040	425,000	68,250	493,250
2041	440,000	55,500	495,500
2042	455,000	42,300	497,300
2043	470,000	28,650	498,650
2044	485,000	14,550	499,550
	$ 8,520,000	$ 3,445,867	$ 11,965,867

See accompanying auditors' report.

Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 5,230,000	$ 5,648,977	$ 10,878,977
2021	5,430,000	5,437,934	10,867,934
2022	5,665,000	5,228,536	10,893,536
2023	5,915,000	5,010,433	10,925,433
2024	6,160,000	4,843,785	11,003,785
2025	6,420,000	4,650,489	11,070,489
2026	6,695,000	4,458,427	11,153,427
2027	6,985,000	4,254,264	11,239,264
2028	7,285,000	4,052,375	11,337,375
2029	7,595,000	3,834,039	11,429,039
2030	7,930,000	3,599,626	11,529,626
2031	8,275,000	3,348,183	11,623,183
2032	8,620,000	3,083,432	11,703,432
2033	8,995,000	2,800,751	11,795,751
2034	9,380,000	2,498,750	11,878,750
2035	9,800,000	2,176,664	11,976,664
2036	10,220,000	1,836,706	12,056,706
2037	10,665,000	1,468,701	12,133,701
2038	10,465,000	1,083,276	11,548,276
2039	6,795,000	703,356	7,498,356
2040	7,050,000	468,412	7,518,412
2041	4,005,000	224,569	4,229,569
2042	960,000	89,250	1,049,250
2043	990,000	60,450	1,050,450
2044	1,025,000	30,750	1,055,750
	$ 168,555,000	$ 70,892,135	$ 239,447,135

See accompanying auditors' report.

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	Bond Issue		
	Series 2013	Series 2014	Series 2015
Interest rate	2.00% - 4.00%	3.00% - 5.00%	2.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/15 - 9/1/37	9/1/15 - 9/1/38	9/1/16 - 9/1/40
Beginning bonds outstanding	$ 8,180,000	$ 50,440,000	$ 20,225,000
Bonds issued			
Bonds retired	(275,000)	(1,485,000)	(575,000)
Ending bonds outstanding	$ 7,905,000	$ 48,955,000	$ 19,650,000
Interest paid during fiscal year	$ 279,665	$ 1,864,594	$ 650,863

Paying agent's name and city	
Series 2013, 2019, 2019 Parks	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014	Regions Bank, N.A., Houston, Texas
Series 2015 and 2016, 2015 Parks, Defined Area No. 1 2016, 2017, and 2019	Amegy Bank N.A., Houston, Texas

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	$ 637,000,000	$ 132,075,000	$ 504,925,000
Transportation, mobility and transit facilities (Defined Area No. 1 only)	1,177,000,000	35,460,000	1,141,540,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	18,200,000	297,400,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	$ 2,331,700,000	$ 185,735,000	$ 2,145,965,000

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

Debt Service Fund cash and temporary investments balances as of December 31, 2019:	$ 7,634,132
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 9,577,885

See accompanying auditors' report.

	Bond Issue			
	Series 2015 Parks	Series 2016 Defined Area No.1 Road	Series 2016	Series 2017 Defined Area No.1 Road
Interest rate	3.00% - 5.50%	2.00% - 3.50%	2.00% - 4.00%	3.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/16 - 9/1/40	9/1/17 - 9/1/40	9/1/17 - 9/1/41	9/1/18 - 9/1/41
Beginning bonds outstanding	$ 14,930,000	$ 11,355,000	$ 35,645,000	$ 14,630,000
Bonds issued				
Bonds retired	(425,000)	(315,000)	(1,100,000)	(385,000)
Ending bonds outstanding	$ 14,505,000	$ 11,040,000	$ 34,545,000	$ 14,245,000
Interest paid during fiscal year	$ 538,137	$ 352,406	$ 1,104,131	$ 527,969

See accompanying auditors' report.

Bond Issue			
Series 2019	Series 2019 Parks	Series 2019 Defined Area No.1 Road	Total
3.00% - 3.00%	2.00% - 4.00%	2.00% - 3.00%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/20 - 9/1/44	9/1/20 - 9/1/44	9/1/20 - 9/1/44	
$ -	$ -	$ -	$ 155,405,000
7,240,000	1,950,000	8,520,000	17,710,000
			(4,560,000)
$ 7,240,000	$ 1,950,000	$ 8,520,000	$ 168,555,000
$ -	$ -	$ -	$ 5,317,765

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

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Charges for utility services	$ 2,922,590	$ 2,610,275	$ 2,310,592	$ 2,132,310	$ 2,022,710
Property taxes	4,734,648	11,084,582	14,850,002	15,979,873	4,781,346
Penalties and interest	38,450	18,063	28,874	41,775	148,661
Harris County property tax rebate	4,168,031	4,229,335	3,985,456	3,465,510	1,535,251
Sales and use taxes	4,337,509	3,347,253	955,845	718,270	546,713
Tap connection and inspection fees	632,777	604,138	752,848	335,306	591,339
Capital recovery fees	843,847				
Miscellaneous	121,032	93,713	24,752	210,948	34,096
Investment earnings	408,952	324,123	196,169	86,276	18,062
Total Revenues	18,207,836	22,311,482	23,104,538	22,970,268	9,678,178
Expenditures					
Current					
Professional fees	1,429,999	1,818,370	1,755,857	1,755,522	1,327,358
Contracted services	1,561,336	1,705,420	1,643,677	834,728	548,401
Repairs and maintenance	4,555,063	3,925,816	4,304,741	2,144,035	1,705,075
Regional Water Authority fees	1,060,574	760,395	557,352	366,680	354,658
Utilities	207,270	212,645	197,168	173,919	157,117
Tree farm ground lease	60,000	60,000	60,000	60,000	60,000
Administrative	135,974	127,205	111,546	91,630	88,245
Miscellaneous	36,025	75,927	100,628	20,756	58,568
Capital outlay	1,402,706	12,018,205	12,082,917	10,920,997	528,528
Developer interest	4,168,031	1,324,597	1,716,153	2,004,339	1,535,251
Debt issuance costs				9,500	
Total Expenditures	14,616,978	22,028,580	22,530,039	18,382,106	6,363,201
Revenues Over Expenditures	$ 3,590,858	$ 282,902	$ 574,499	$ 4,588,162	$ 3,314,977
Total Active Retail Water Connections	133	124	123	100	70
Total Active Retail Wastewater Connections	93	87	87	58	53

* Negligible percentage

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
16%	12%	10%	9%	21%
26%	50%	65%	71%	49%
*	*	*	*	2%
23%	19%	17%	15%	16%
24%	15%	4%	3%	6%
3%	3%	3%	1%	6%
5%				
1%	*	*	1%	*
2%	1%	1%	*	*
100%	100%	100%	100%	100%
8%	8%	8%	8%	14%
9%	8%	7%	4%	6%
25%	18%	19%	9%	18%
6%	3%	2%	2%	4%
1%	1%	1%	1%	2%
*	*	*	*	1%
1%	1%	*	*	1%
*	*	*	*	1%
8%	54%	52%	48%	5%
23%	6%	7%	9%	16%
			*	
81%	99%	96%	81%	68%
19%	1%	4%	19%	32%

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

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	$10,194,011	$10,373,520	$ 9,990,422	$ 6,123,967	$ 5,038,294
Penalty and interest	6,101	52,291	4,605	30,772	10,325
Miscellaneous	8,807	7,270	8,387	882	2,194
Investment earnings	258,841	168,934	72,696	33,086	15,629
Total Revenues	10,467,760	10,602,015	10,076,110	6,188,707	5,066,442
Expenditures					
Tax collection services	133,462	155,735	263,577	211,794	109,013
Debt service					
Principal	4,560,000	4,365,000	4,085,000	2,755,000	1,415,000
Interest and fees	5,321,086	5,482,924	5,052,085	3,549,191	2,602,856
Total Expenditures	10,014,548	10,003,659	9,400,662	6,515,985	4,126,869
Revenues Over/(Under) Expenditures	$ 453,212	$ 598,356	$ 675,448	$ (327,278)	$ 939,573

* Negligible percentage

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
98%	98%	99%	99%	100%
*	*	*	*	*
*	*	*	*	*
2%	2%	1%	1%	*
100%	100%	100%	100%	100%
1%	1%	3%	3%	2%
44%	41%	41%	45%	28%
51%	52%	50%	57%	51%
96%	94%	94%	105%	81%
4%	6%	6%	(5%)	19%

Harris County Improvement District No. 18
TSI-8. Board Members, Key Personnel and Consultants
December 31, 2019

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	October 18, 2019
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Robert T. Deden	06/19 to 06/23	$ 2,100	$ 302	President
Dwayne L. Mason	06/17 to 06/21	2,250	1,686	Vice President
Craig Doyal	06/19 to 06/23	900	346	Assistant Vice President
Sue Darcy	06/19 to 06/23	1,800	115	Secretary
Richard Rose	06/17 to 06/21	1,350		Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	06/09			Attorney
General legal		$ 274,946		
Bond Counsel		454,628		
TNG Utility Corp.	01/10	1,000,670		Operator
Municipal Accounts & Consulting, LP	12/13	87,695		Bookkeeper
Assessment of the Southwest, Inc.	07/11	15,600		Tax Collector
Harris County Appraisal District	Legislation	106,070		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/12	13,871		Delinquent Tax Attorney
Jones & Carter, Inc.	03/14	664,946		Engineer
Tolunay-Wong Engineers, Inc.	06/12	81,955		Engineer
Mike Stone Associates, Inc.	02/16	319,255		Engineer
DCS Engineering, LLC	04/12	197,630		Engineer
Halff Associates, Inc.	11/16	1,007,124		Engineer
McGrath & Co., PLLC - CPA's	04/13	44,250		Auditor
Jones - Heroy & Associates, Inc.	02/11	92,268		Contract Reviewer
Berg Oliver	11/09	7,800		Environmental Consultant
Clark Condon Associates, Inc.	03/12	1,526		Landscape Architect
Office of James Burnett	04/12	4,845		Landscape Architect
C.L. Davis & Co.		188,529		Land Surveyors
Robert W. Baird	01/15	357,955		Financial Advisor

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

See accompanying auditors' report.