PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2016

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL INCLUDING A DISCUSSION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

*THE BONDS HAVE **NOT** BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."*

NEW ISSUE-BOOK-ENTRY-ONLY

Rating: Moody's "A2"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

$5,000,000

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157

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

UNLIMITED TAX BONDS SERIES 2016A

Dated: November 1, 2016 **Due: September 1, as shown below**

The bonds described above (the "Bonds") are being issued by Harris County Water Control and Improvement District No. 157 (the "District"). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from November 1, 2016, and is payable on March 1, 2017. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (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. See "BOOK-ENTRY-ONLY-SYSTEM."

MATURITY SCHEDULE

Principal Amount(a)	Maturity (September 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(d)	Principal Amount(a)	Maturity (September 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(d)
$200,000	2017		%	%	$200,000	2029 (b)		%	%
200,000	2018				200,000	2030 (b)			
200,000	2019				200,000	2031 (b)			
200,000	2020				200,000	2032 (b)			
200,000	2021				225,000	2033 (b)			
200,000	2022				225,000	2034 (b)			
200,000	2023				225,000	2035 (b)			
200,000	2024 (b)				225,000	2036 (b)			
200,000	2025 (b)				225,000	2037 (b)			
200,000	2026 (b)				225,000	2038 (b)			
200,000	2027 (b)				225,000	2039 (b)			
200,000	2028 (b)				225,000	2040 (b)			

(a) The Underwriter (hereinafter defined) may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."

(b) Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2023, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

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

(d) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 15, 2016.

Bids Due: Thursday, October 13, 2016, at 10:00 A.M., Central Daylight Saving Time, in Houston, Texas
Bid Award: Thursday, October 13, 2016 at 11:00 A.M., Central Daylight Saving Time, in Houston, Texas

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by SEC Rule 15c2-12.

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.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056, upon the payment of the costs of duplication thereof.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by ______________ (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of _______% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of ________% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the "TCEQ") on February 21, 2005, and operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended. The District currently includes within its boundaries approximately 3,279 acres of land. See "THE DISTRICT."

Location... The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. The District is bordered on the north and east by North Bridgeland Lake Parkway, on the west by U.S. Highway 99 (the Grand Parkway) and on the south by Fry Road. Access to the District is provided by U.S. Highway 290 to Fry Road south or by the Grand Parkway south to House Hahl Road east. The District is located approximately 2.7 miles southeast of the intersection of U.S. Highway 290 and the Grand Parkway. See "THE DISTRICT" and "AERIAL LOCATION MAP."

District Purpose… The District was created to construct and operate all major drainage and channel improvements and park and recreational facilities necessary to serve the land within the boundaries of the District. See "THE SYSTEM—District Purpose."

Bridgeland… The District is part of the master-planned community of Bridgeland, currently consisting of the District, two other water control and improvement districts, six municipal utility districts, and additional land that is in the process of being annexed into certain of such municipal utility districts. Harris County Municipal Utility District No. 418 ("MUD 418"), Harris County Municipal Utility District No. 419 ("MUD 419") and Harris County Municipal Utility District No. 489 ("MUD 489") are within the boundaries of the District. All of the residential development described herein is occurring within MUD 419. The development of Bridgeland is planned by the Developer (defined below) to ultimately encompass approximately 11,400 acres. The Bridgeland Management District (defined below) has been created to provide economic development projects and services for commercial development. See "BRIDGELAND," "THE DISTRICT," and "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

The Developer... Bridgeland Development, LP, a Maryland limited partnership (the "Developer") is the developer of Bridgeland. The Developer is wholly owned by The Howard Hughes Corporation, a Delaware corporation ("HHC"). HHC is a public company whose stock is traded on the New York Stock Exchange under the symbol HHC. See "THE DEVELOPER."

Status of Development… Underground utilities and paving are complete for 3,064 single-family residential lots (approximately 903 acres). As of September 8, 2016, 2,404 homes were complete (2,395 occupied), 207 homes were under construction or in the name of the builder, and 453 lots were available for home construction. Newer homes in the District are being offered for sale at prices ranging from approximately $250,000 to over $1,000,000. In addition, construction is underway for the development of 138 single-family residential lots on approximately 47 acres in the residential subdivision of Hidden Creek and lot delivery is expected in the fall of 2016. Additionally, approximately 17 acres is under construction for the development of the Parklane Cypress Apartments, a 288-unit apartment community, which is expected to open for tenants in late 2016.

In addition to residential development, a 6,000 square foot clubhouse/recreational facility that includes a pool, a spray park, a lap pool, water slides, two tennis courts and a playground has been completed on approximately 11 acres. A jogging path and greenbelt system also run throughout the community. An information center, elementary school, church and a CVS Pharmacy have been constructed on approximately 43 acres within the District. The school and the church are not subject to taxation by the District. Five retail strip centers totaling approximately 46,812 square feet and five one-story office buildings totaling approximately 21,600 square feet are under construction on approximately 9 acres.

The remainder of the District is comprised of approximately 1,074 acres that are not developable (amenity/detention facilities, pipeline easements, street right-of-way, drill sites and utility sites), approximately 62 acres served by underground trunkline water, sewer and drainage facilities for future commercial/multi-family development, and approximately 985 developable acres that have not been provided with utility service (excluding the above-described 47 acres under construction for the development of 138 single-family residential lots and 26 acres under construction for multi-family and commercial/retail development).

The Cypress-Fairbanks Independent School District has recently acquired approximately 128 acres of land from the Developer, upon which a school campus is proposed for future construction. An approximately 28 acre tract out of said 128 acre tract is located within the boundaries of the District. The remainder of said 128 acre tract is located outside the boundaries of the District. Said 128 acre tract owned by the Cypress-Fairbanks Independent School District will be exempt from ad valorem taxes imposed by the District. See "THE DISTRICT—Land Use," "—Status of Development," and "—Future Development."

The Builders… Homebuilders actively marketing or building homes in the District include Chesmar Homes, Ryland Homes, David Weekley Homes, Meritage Homes, Darling Homes, Perry Homes, Village Builders, Westin Homes, Ravenna Homes, Coventry Homes, CalAtlantic Homes, M/I Homes, Toll Brothers, Beazer Homes, Taylor Morrison, McGuyer Homebuilders, and J. Kyle Homes. See "THE DISTRICT—Homebuilding."

Water and Wastewater Treatment… The existing internal water distribution, wastewater collection and storm drainage facilities within the boundaries of the District have been constructed by MUD 419. Regional water supply and wastewater treatment services for the development within the District's boundaries are provided by facilities owned and operated by MUD 418, in its capacity as the regional provider of such services (the "Master District"). See "WATER, WASTEWATER AND STORM DRAINAGE."

Park and Recreational Facilities… Park and recreational facilities constructed within the District include an approximate 10-mile system of interconnecting trails, community parks with amenities including pavilions, restrooms, playgrounds, splash pads, a private 18-hole disc golf course, picnic areas, floating docks for catch-and-release fishing, various nature observation areas and a system of dual function amenity/detention lakes spanning approximately 540 acres. See "THE BONDS—Financing Recreational Facilities" and "PARK AND RECREATIONAL FACILITIES."

Overlapping Debt and Taxes… Substantially all the land within the District is included or is expected to be included within the boundaries of three municipal utility districts, MUD 418, MUD 419 or MUD 489. Each municipal utility district is a political subdivision of the State of Texas with the power to levy an unlimited tax on property within its boundaries following receipt of voter approval in an election. Each municipal utility district provides or is expected to provide water, sewer and drainage facilities to the land within its boundaries and to issue unlimited tax bonds to finance such facilities. The District intends that its tax rate, in combination with the tax rate of MUD 418, MUD 419 or MUD 489, as applicable, will not exceed $1.50 per $100 of taxable assessed valuation. See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

Payment Record... The District has previously issued seven series of unlimited tax bonds in the aggregate initial principal amount of $37,050,000 for the purpose of financing drainage facilities, one series of unlimited tax park bonds in the initial principal amount of $5,800,000 for the purpose of acquiring or constructing recreational facilities, and two series of unlimited tax refunding bonds in the aggregate initial principal amount of $15,220,000 for the purpose of refunding outstanding debt issued for drainage facilities, of which $38,640,000 in aggregate principal amount collectively remains outstanding (the "Outstanding Bonds") as of the date hereof. The District has not defaulted on any debt service payments related to its previously issued debt. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

THE BONDS

Description...	$5,000,000 Unlimited Tax Bonds, Series 2016A (the "Bonds") are being issued as fully registered bonds pursuant to an order ("Bond Order") authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on September 1 in the years 2017 through 2040, both inclusive. The Bonds will be issued in book-entry form only in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds initially accrues from November 1, 2016, and is payable on March 1, 2017. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. See "THE BONDS."
Book-Entry-Only System...	The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See "BOOK-ENTRY-ONLY SYSTEM."
Redemption...	Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on September 1, 2023, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
Use of Proceeds...	Proceeds of the Bonds will be used to pay for the construction costs for drainage facilities shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to pay interest on funds advanced by the Developer on behalf of the District; and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Authority for Issuance...	The Bonds are issued by the District pursuant to an order of the TCEQ, the general laws of the State of Texas, including without limitation, Chapters 49 and 51 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, elections held within the boundaries of the District on May 7, 2005 and May 14, 2011, and the Bond Order. See "THE BONDS—Authority for Issuance."
Source of Payment...	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. See "THE BONDS—Source and Security for Payment."
Municipal Bond Rating and Municipal Bond Insurance...	Moody's Investors Service ("Moody's") has assigned a credit rating of "A2" on the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody's will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Underwriter. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE." Application has also been made for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."
Not Qualified Tax-Exempt Obligations...	The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."

Bond Counsel...	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."
Disclosure Counsel…	Norton Rose Fulbright US LLP, Houston, Texas.
Financial Advisor…	FirstSouthwest, a Division of Hilltop Securities Inc., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2016 Taxable Assessed Valuation	$ 943,291,183	(a)
Estimated Taxable Assessed Valuation as of July 1, 2016	$1,033,663,556	(b)
Gross Direct Debt Outstanding (including the Bonds)	$ 43,640,000	(c)
Estimated Overlapping Debt	159,784,120	(d)
Gross Direct Debt and Estimated Overlapping Debt	$203,424,120	
Ratios of Gross Direct Debt to:		
2016 Taxable Assessed Valuation	4.62%	
Estimated Taxable Assessed Valuation as of July 1, 2016	4.22%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Taxable Assessed Valuation	21.57%	
Estimated Taxable Assessed Valuation as of July 1, 2016	19.68%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of September 8, 2016	$1,507,361	
Capitalized Interest from proceeds of the Bonds (Twelve Months)	175,000	(e)
Total Funds Available for Debt Service	$1,682,361	
Funds Available for Operations and Maintenance as of September 8, 2016	$1,185,963	(f)
Funds Available for Construction as of September 8, 2016	$ 493,095	(g)
Anticipated 2016 Debt Service Tax Rate	$0.34	
Anticipated 2016 Maintenance Tax Rate	0.14	
Anticipated 2016 Total Tax Rate	$0.48	(h)
Average Annual Debt Service Requirement (2017-2040)	$2,569,823	(i)
Maximum Annual Debt Service Requirement (2017)	$3,286,573	(i)
Tax Rate Required to Pay Average Annual Debt Service (2017-2040) at a 95% Collection Rate		
Based upon 2016 Taxable Assessed Valuation	$0.29	(j)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2016	$0.27	(j)
Tax Rate Required to Pay Maximum Annual Debt Service (2017) at a 95% Collection Rate		
Based upon 2016 Taxable Assessed Valuation	$0.37	(j)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2016	$0.34	(j)
Status of Development as of September 8, 2016 (k):		
Completed homes (2,395 occupied)	2,404	
Homes under construction or in the name of the builder	207	
Lots available for construction	453	
Lots under construction	138	
Estimated population	8,382	(l)

(a) The 2016 Taxable Assessed Valuation shown herein includes $819,157,677 of certified value and $124,133,506 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."

(b) As provided by the Appraisal District. Such amount is only an estimate of the assessed value on July 1, 2016, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2016 and July 1, 2016 will be certified as of January 1, 2017 and provided for purposes of taxation in the fall of 2017.

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes" and "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

(e) The District will capitalize twelve (12) months of interest on the Bonds. The amount of interest to be capitalized from Bond proceeds is estimated at 3.50%. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(f) Includes funds in the amount of $175,976 in the District's sub-account for parks and recreational facilities.

(g) Represents surplus construction funds, and interest thereon, derived from the Outstanding Bonds and includes $300,000 approved for use by the TCEQ in connection with the issuance of the Bonds. Surplus funds for construction may be expended for any lawful purpose for which surplus funds may be used, limited, however, to the purposes for which the issue of the Outstanding Bonds which produced the surplus funds were issued. Under certain circumstances, the approval of the TCEQ is required for the use of surplus funds derived from bonds issued for the purpose of financing drainage and recreational facilities. Of such remaining amount, $346,933 and $146,162 may be used to finance drainage facilities and park and recreational facilities, respectively, with the approval of the TCEQ.

(h) On September 8, 2016, the District authorized the publication of a notice of its intent to adopt a total 2016 tax rate in the amount of $0.48 per $100 of taxable assessed valuation. In October 2016, the District expects to adopt a 2016 tax rate, which may be lower than $0.48 See "TAX DATA—Tax Rate Distribution."

(i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(j) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

(k) See "THE DISTRICT—Land Use" and "—Status of Development."

(l) Based upon 3.5 persons per occupied home.

PRELIMINARY OFFICIAL STATEMENT

$5,000,000

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS
SERIES 2016A

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Water Control and Improvement District No. 157 (the "District") of its $5,000,000 Unlimited Tax Bonds, Series 2016A (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including, without limitation, Chapters 49 and 51 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ"), and elections held within the District on May 7, 2005 and May 14, 2011.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Bridgeland Development, LP, a Maryland limited partnership (the "Developer"), homebuilders building homes in the District (the "Builders") and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

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

Description

The Bonds will be dated November 1, 2016, with interest payable on March 1, 2017, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from November 1, 2016, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature, and principal in respect of the Bonds is payable, on September 1 of the years and in the amounts, and accrue interest at the rates, shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At elections held within the District on May 7, 2005 and May 14, 2011, voters in the District authorized a total of $256,600,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing drainage facilities. The District has issued a total aggregate principal amount of $37,050,000 in bonds from said authorization. The Bonds represent the seventh issuance from such authorization. After issuance of the Bonds, a total of $214,550,000 in principal amount of unlimited tax bonds for drainage facilities will remain authorized but unissued. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to an order of the TCEQ, the general laws of the State of Texas, including without limitation, Chapters 49 and 51 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, the elections held within the District described herein above, and the Bond Order.

Source and Security for Payment

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

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the "Construction Fund") and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. Accrued interest on the Bonds plus an amount equal to twelve (12) months interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (as hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2024, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2023, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the "Redemption Date"). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $256,600,000 in principal amount of unlimited tax bonds have been authorized by the District's voters for acquiring or constructing drainage facilities, and, after the issuance of the Bonds, $214,550,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. Further, a total of $204,300,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for financing recreational facilities, of which $198,500,000 remains authorized but unissued. In addition, voters have authorized $460,900,000 in principal amount of unlimited tax refunding bonds ($256,600,000 in principal amount for drainage facilities and $204,300,000 in principal amount for recreational facilities), of which $459,495,000 in principal amount remains authorized but unissued ($255,195,000 in principal amount for drainage and $204,230,000 in principal amount for recreational facilities). Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds. See "THE BONDS—Financing Recreation Facilities" and "INVESTMENT CONSIDERATIONS—Future Debt."

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

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities, which maintenance tax is in addition to any other maintenance tax authorized to be levied by the District, in addition to other requirements.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. At an election held within the District on May 14, 2011, voters of the District authorized a total of $204,300,000 principal amount of unlimited tax bonds for acquiring or constructing recreational facilities and at an election held within the District on May 7, 2005 voters of the District authorized a maintenance tax not to exceed $0.10 per $100 of taxable assessed valuation for operation and maintenance of recreational facilities. The District has issued $5,800,000 principal amount of unlimited tax park bonds in one series and a total of $198,500,000 in principal amount of unlimited tax park bonds remains authorized but unissued from said authorization. The levy of taxes in payment of additional bonds issued by the District to finance recreational facilities may dilute the security for the Bonds.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston without the District's consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies."

Defeasance

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable laws, including, without limitation, Chapter 1207, Texas Government Code, as amended.

Chapter 1207 currently provides that the Bonds may be defeased by a deposit with the Comptroller of Public Accounts of the State of Texas or a Paying Agent of the District which may be invested only in obligations that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of the Bonds. The deposit may be invested and reinvested in (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, (2) 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 defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (3) 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 defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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, 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by BGE, Inc. (the "Engineer") and FirstSouthwest, a Division of Hilltop Securities Inc. (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed upon procedures are completed by an independent auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

CONSTRUCTION COSTS	
Bridgeland Phase 3 Detention & Spoil Disposal (Contract 4)	$ 2,374,820
Easement Acquisition Costs	1,025,000
Storm Water Pollution Prevention Plans	736,901
Less: Series 2015 Surplus Bond Funds	(300,000)
Total Construction Costs	**$ 3,836,721**
NON-CONSTRUCTION COSTS	
Legal Fees	$ 135,000
Financial Advisory Fees	95,000
Capitalized Interest (a)	225,000
Underwriter's Discount (Estimated at 3.0%) (a)	150,000
Developers Interest	458,370
Bond Issuance Expenses	34,409
Bond Application Report	48,000
Attorney General Fee (0.10%)	5,000
TCEQ Fee (0.25%)	12,500
Total Non-Construction Costs	**$ 1,163,279**
TOTAL BOND ISSUE REQUIREMENT	**$ 5,000,000**

(a) The TCEQ approved a maximum amount of $225,000 in capitalized interest, which represents twelve (12) months at an estimated interest rate of 4.50% and a maximum Underwriter's discount of 3.0%. Calculations of capitalized interest shown throughout this PRELIMINARY OFFICIAL STATEMENT are based upon an estimated interest rate of 3.50%.

BRIDGELAND

The District is part of the master-planned community of Bridgeland, currently consisting of the District, two other water control and improvement districts, six municipal utility districts, a management district, and additional land that is in the process of being annexed into certain of such districts. Harris County Municipal Utility District No. 418 ("MUD 418" or the "Master District"), Harris County Municipal Utility District No. 419 ("MUD 419"), Harris County Municipal Utility District No. 489 ("MUD 489") and certain land not within any municipal utility district are within the boundaries of the District. The Bridgeland Management District (further discussed below) is within the boundaries of the District. All of the residential development described herein is occurring within MUD 419 within the District. The development of Bridgeland is planned by the Developer to ultimately encompass approximately 11,400 acres. See "THE DISTRICT" and "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

The Bridgeland Management District (the "Management District") was created by an act of the Texas Legislature in 2011 as a special district under Section 59, Article XVI of the Texas Constitution to provide economic development projects and services to the area of Bridgeland planned primarily, among other purposes, for commercial development. The Management District encompasses approximately 8,784 acres, of which approximately 1,175 acres are within the boundaries of the District. On November 6, 2012, voters authorized the Management District to levy a sales and use tax and a hotel occupancy tax and to issue bonds payable from such taxes and/or property assessments to finance its projects and services. The Management District has not yet considered if or when it will issue debt for such purposes. The Management District has not considered calling an election to authorize the levy, assessment and collection of ad valorem taxes or the issuance of bonds payable in whole or in part from ad valorem taxes.

THE DISTRICT

General

The District is a water control and improvement district created by an order of the TCEQ, dated February 21, 2005, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 51 of the Texas Water Code, as amended, and other general statutes of Texas applicable to water control and improvement districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District currently plans to provide major storm drainage and channel improvements and park and recreational facilities within its boundaries. The District may also provide solid waste disposal and collection services. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," "THE SYSTEM—District Purpose," and "INVESTMENT CONSIDERATIONS—Future Debt."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, and recreational facilities, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit water and sewer connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County, Texas. As stated above, the District currently plans to provide only major storm drainage and channel improvements and recreational facilities and the aforesaid platting requirements will be enforced by the municipal utility districts within the District which provide water and wastewater improvements. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM—Regulation."

Description and Location

The District currently includes within its boundaries approximately 3,279 acres of land in northwest Harris County. See "Land Use" herein. The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. The District is bordered on the north and east by North Bridgeland Lake Parkway, on the west by U.S. Highway 99 (the Grand Parkway) and on the south by Fry Road. Access to the District is provided by U.S. Highway 290 to Fry Road south or by the Grand Parkway South to House Hahl Road east. The District is located approximately 2.7 miles southeast of the intersection of U.S. Highway 290 and the Grand Parkway. See "AERIAL LOCATION MAP."

Land Use

The following table represents a detailed breakdown of the current acreage and development in the District.

	Approximate Acres	Lots
Single-Family Residential		
The Shores	185	571
First Bend	121	397
The Cove	141	487
Lakeland Heights	84	361
Water Haven	152	500
Hidden Creek (a)	267	886
Subtotal Residential	950	3,202
Information Center	5	--
Recreation Center	11	--
Elementary School	17	--
Church	20	--
Commercial	1	--
Cypress-Fairbanks Independent School District	28	--
Future Development (b)	1,173	--
Non-Developable (c)	1,074	--
Subtotal	2,329	--
Totals	3,279	3,202

(a) Construction is underway in the residential subdivision of Hidden Creek for the development of 138 single-family residential lots on approximately 47 acres. Lot delivery is expected in the fall of 2016.

(b) Includes approximately 26 acres under construction for development of a 288-unit apartment community, five retail strip centers, five one-story office buildings and approximately 62 acres within the District is served by underground trunkline water, sewer and drainage facilities for future commercial/multi-family development.

(c) Includes drainage and pipeline easements, detention, street rights-of-way, drill sites and utility sites.

Status of Development

As of September 8, 2016, approximately 2,404 homes were complete (2,395 occupied), 207 homes were under construction or in the name of the builder, and 453 lots were available for home construction. Newer homes in the District are being offered for sale at prices ranging from approximately $250,000 to over $1,000,000. The estimated population in the District is 8,382, based upon 3.5 persons per occupied home. In addition, construction is underway for the development of 138 single-family residential lots on approximately 47 acres in the residential subdivision of Hidden Creek and lot delivery is expected in the fall of 2016. Additionally, approximately 17 acres is under construction for the development of the Parklane Cypress Apartments, a 288-unit apartment community, which is expected to open for tenants in late 2016.

In addition to residential development, a 6,000 square foot clubhouse/recreational facility that includes a pool, a spray park, a lap pool, water slides, two tennis courts and a playground has been completed on approximately 11 acres. A jogging path and greenbelt system also runs throughout the community. An information center, elementary school, church, and CVS Pharmacy have been constructed on approximately 43 acres within the District. The school and the church are not subject to taxation by the District. Five retail strip centers totaling approximately 46,812 square feet, and five one-story office buildings totaling approximately 21,600 square feet are under construction on approximately 9 acres.

The Cypress-Fairbanks Independent School District has recently acquired approximately 128 acres of land from the Developer, upon which a school campus is proposed for future construction. An approximately 28 acre tract out of said 128 acre tract is located within the boundaries of the District. The remainder of said 128 acre tract is located outside the boundaries of the District. Said 128 acre tract owned by the Cypress-Fairbanks Independent School District will be exempt from ad valorem taxes imposed by the District.

Homebuilding

Homebuilders actively marketing or building homes in the District include Chesmar Homes, Ryland Homes, David Weekley Homes, Meritage Homes, Darling Homes, Perry Homes, Village Builders, Westin Homes, Ravenna Homes, Coventry Homes, CalAtlantic Homes, M/I Homes, Toll Brothers, Beazer Homes, Taylor Morrison, McGuyer Homebuilders, and J. Kyle Homes.

Future Development

Approximately 1,113 developable acres of land in the District (including approximately 28 acres owned by Cypress-Fairbanks Independent School District and excluding approximately 26 acres where construction is underway for multi-family and commercial/retail development and approximately 62 acres served by underground trunkline water, sewer and drainage facilities for future commercial/multi-family development) are not yet fully served with water, sewer and drainage and paving facilities necessary for the construction of taxable improvements. While the District anticipates future development of this acreage, there can be no assurances when or if any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund storm drainage and detention facilities as well as recreational facilities, necessary to serve the land within the District at full development. The Engineer has stated that, under current development plans, the remaining authorized but unissued bonds ($214,550,000 for drainage facilities and $198,500,000 for recreational facilities) should be sufficient to finance the construction to complete the District's drainage and recreational facilities for full development of the District. See "THE BONDS—Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS—Future Debt."

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Investors in the Bonds should note that the prior real estate experience of the Developer and its affiliates should not be construed as an indication that further development within the District will occur, or that construction of additional taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developer or its affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the Developer or its affiliates, if any, is no indication or guarantee that the Developer will be successful in the future development of land within the District.

Bridgeland Development, LP

Bridgeland Development, LP, a Maryland limited partnership (the "Developer") is the developer of Bridgeland. The Developer is wholly owned by The Howard Hughes Corporation, a Delaware corporation ("HHC"). HHC is a public company whose stock is traded on the New York Stock Exchange under the symbol HHC.

All funds required for development activities are provided by the Developer, HHC, or from lot sales. Neither the Developer nor HHC is legally obligated to continue providing funds for the development of the District. HHC is not legally obligated to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer.

HHC files annual, quarterly and current reports, proxy statements and other information with the SEC and such filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document that HHC has filed with the SEC at the SEC's Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room.

In addition, HHC makes available on its web site http://www.howardhughes.com its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on HHC's web site, available by hyperlink from HHC's web site or on the SEC's web site, is not incorporated into this Preliminary Official Statement.**

None of the Developer, HHC, any affiliates of the Developer nor HHC are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. None of the Developer, HHC, any affiliates of the Developer or HHC have any legal commitment to the District or the holders of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. All of the Board members reside within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Keith A. Nystrom	President	May 2018
Shane Bueno	Vice President	May 2020
David S. Redburn	Secretary	May 2020
Christopher M. Gilbert	Assistant Secretary	May 2018
James C. Motejzik	Assistant Secretary	May 2020

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

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

Disclosure Counsel: Norton Rose Fulbright US LLP, serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: FirstSouthwest, a Division of Hilltop Securities Inc. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District's financial statements for the year ended May 31, 2016, were audited by BKD, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's May 31, 2016, financial statements. The District did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the May 31, 2016, financial statements.

Engineer: The District's consulting engineer is BGE, Inc. (the "Engineer"). Costello, Inc. and R.G. Miller Engineers, Inc. are also designing sections within the District, including Hidden Creek and Lakeland Heights, respectively.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's non-potable water irrigation system is Severn Trent, Inc. Severn Trent, Inc. also operates the water and wastewater systems and plants of MUD 418 and MUD 419.

Tax Appraisal: The Harris County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Wheeler & Associates, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

THE SYSTEM

Regulation

According to the Engineer, the District's improvements that have been financed with proceeds from certain of the Outstanding Bonds, or that will be financed with the proceeds of the Bonds have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications, as and if required for the particular improvements and the approval and permitting requirements of the Harris County, the Harris County Flood Control District, and the City of Houston, as applicable.

District Purpose

The District was created to construct and operate all major drainage and channel improvements necessary to serve the land within the boundaries of the District and to construct and operate certain recreational facilities. Although the District has the legal authority to provide water supply and distribution, wastewater collection and treatment, and other storm drainage facilities or services, it is not presently anticipated by the District that such authority will be exercised. Instead, MUD 418 (in its capacity as a provider of internal utilities), MUD 419 and MUD 489 will provide internal water distribution and wastewater collection services to the land located within their respective boundaries as well as internal storm drainage facilities connecting with the channels constructed by the District. In addition, MUD 418, in its capacity as the Master District, will provide major water supply and wastewater treatment to serve the development within the District (see "Master Facilities" below).

Major Channel and Detention Improvements

The drainage facilities constructed by the District are a series of interconnected detention basins that serve both as amenity lakes as well as detention and mitigation facilities. The detention facilities were designed and constructed in accordance with Harris County Flood Control District criteria and comply with the master drainage study prepared for the project. The purpose of these facilities is to provide outfall drainage and mitigate any negative flood plain effects caused by the development of Bridgeland. Construction of additional detention facilities has been phased to accommodate development as it occurs. The detention basins constructed to date encompass approximately 500 acres of land and detain enough storm water to develop approximately 1,220 acres of single-family residential, commercial and recreational land use.

PARK AND RECREATIONAL FACILITIES

Park and recreational facilities constructed within District include an approximate 10-mile system of interconnecting trails, community parks with amenities to include pavilions, restrooms, playgrounds, splash pads, a private 18-hole disc golf course, picnic areas, floating docks for catch-and-release fishing, various nature observation areas and a system of dual function amenity/detention lakes spanning approximately 540 acres. See "THE BONDS—Financing Recreational Facilities."

ROADS

Certain series of bonds issued by MUD 419 were issued to finance the road system (the "Roads") which serves the residents of the District by providing access to the major thoroughfares within Bridgeland and the surrounding area. The Roads financed by certain series of said MUD 419 bonds consist of Shorelands Road, Shorebridge Road, First Bend Drive, Lakeside Haven Drive, Parkside Haven Drive, Bridge Cove Drive, Bridgeland Landing Drive, Water Haven, North Bridgeland Lake Parkway, East Creekside Bend Drive, Creekside Crossing Drive, Central Creek Drive, Bridge Cove/Hidden Pass Drive, Bayou Junction Road and Bridgeland Creek Parkway, Section One. The Roads to be financed by the Bonds consist of North Bridgeland Lake Parkway, Section Five, Parkside Haven Drive, Phase Two-A, Seminole Ridge Drive, East Creekside Bend Drive from Hidden Pass Drive to Larrison Circle, Hidden Pass Drive from Parkside Haven to Bridge Cove Drive, Bridgeland Creek Parkway, Section Two and Hidden Creek, Section Thirteen. North Bridgeland Lake Parkway Bridgeland and Creek Parkway are major thoroughfares. Neither MUD 419 nor the District operate or maintain the Roads; the Roads are conveyed to Harris County, Texas for ownership, operations and maintenance in accordance with standard acceptance procedures.

WATER, WASTEWATER AND STORM DRAINAGE

Master Facilities

Master Water and Sanitary Sewer Facilities Contract: The District contains all the land within MUD 418 and MUD 419, approximately 373 acres of land within MUD 489, and certain other land that is not presently within the boundaries of any municipal utility district but which is in the process of being annexed into said districts. MUD 419 is served by a regional water supply and wastewater treatment system that is owned and operated by MUD 418, in its capacity as the "Master District," pursuant that certain Contract for Financing, Operation, and Maintenance of Master Water and Sanitary Sewer Facilities, dated August 1, 2006, by and among MUD 418 and MUD 419, as amended and supplemented from time to time (the "Master Contract"). MUD 489 was made a party to the Master Contract on August 14, 2013 The Master Contract provides that the Master District will acquire, construct, own, operate, and/or maintain central water supply and wastewater treatment facilities, as well as major trunk lines related to said facilities (the "Master Facilities"), to serve the land within the Service Area defined therein (which is currently coextensive with the boundaries of the District) and any other area subsequently added to the Bridgeland development or otherwise served by the Master District pursuant to the Master Contract. Each party to the Master Contract is referred to hereinafter at times as a "Participant." Each Participant is responsible for the acquisition, construction, ownership, operation, and/or maintenance of all internal water distribution, wastewater collection, and storm drainage facilities, not otherwise constructed by the Master District as part of the Master Facilities. As required by the Master Contract, a plan of proposed Master Facilities has been adopted by the Master District and approved by the Participants.

The Master Contract provides that capacity in the Master Facilities will be allocated to a Participant contingent upon the payment to the Master District of a "Connection Charge" (as more specifically detailed in the Master Contract) calculated to approximate, on a uniform per-connection basis, the incurred and projected capital expenditures, interest, and other attendant costs associated with the provision of the Master Facilities by the Master District ("Capital Costs"). The Master Contract requires that the Master District use the Connection Charges solely for payment of the Capital Costs of the Master Facilities, and further requires that the Connection Charge be recalculated from time to time but not less often than annually. Once a Connection Charge has been paid by a Participant, additional Capital Costs may not be recovered for the associated capacity in the Master Facilities acquired by payment of same. The current Connection Charge imposed by the Master District under the Master Contract is $3,950 per equivalent single-family connection for water supply capacity, and $3,220 for wastewater treatment capacity. Connection charges relative to wastewater collection service vary by geographic location within the service area, and range from $230 per equivalent single-family connection to $1,430 per equivalent single-family connection. The Master Contract additionally provides that Master Facilities may be constructed and conveyed to the Master District as an alternative to the payment of a Connection Charge, such Master Facilities being credited at their Capital Cost value towards Connection Charge payments.

The Master Contract requires that operations and maintenance expenses be paid to the Master District by the Participants on a monthly basis. Additionally, each Participant is required to advance funds to the Master District to create a reserve ("Reserve") for the benefit of such Participant in an amount equal to the Participant's projected share of operations and maintenance costs for a two-month period commencing at the beginning of the Master District's fiscal year (currently June 1). The amount of the required Reserve for any Participant is determined annually, and any shortfall is required to be funded by the Participant. The Master District's operations and maintenance expenses, as billed to Participant, may include a fee to fund a Participant's Reserve, subject to certain restrictions.

The Master Contract further requires that each Participant hold an election to authorize the levy and collection of ad valorem taxes to meet its obligations under the Master Contract. Such taxes are to be pledged to support debt service on contract revenue bonds, if issued, by the Master District. The Master Contract authorizes the issuance of such bonds by the Master District solely for the purpose or purposes of (1) providing surface water as an alternative to groundwater, if required by law; (2) the acquisition, construction, improvement, enlargement, extension, or repair of the Master Facilities, if required by law; (3) the payment of unbudgeted, extraordinary expenses of maintaining or repairing the Master Facilities for which sufficient funds have not been placed in the Reserve; or (4) meeting a request by a Participant that such bonds be issued by the Master District. The voters of MUD 418, in its capacity as a Participant, MUD 419 and MUD 489 have approved such a contract revenue tax proposition.

Water Supply: The Master District's current facilities include two water wells at Water Plant No. 1 with a total of 1,500 gallons per minute ("gpm") of capacity, two 15,000 gallon pressure tanks, two 250,000 gallon ground storage tanks, a 750,000 gallon elevated storage tank and 5,650 gpm of booster pump capacity, which can serve 5,075 equivalent single-family connections. The Master District receives treated surface water at Water Plant No. 1. See "Surface Water" below for a discussion of the additional source of water supply capacity as a result of a surface water supplied by the West Harris County Regional Water Authority (the "Authority"). Phase I of Water Plant No. 2 includes one 1,200 gpm water well, one 20,000 gallon pressure tank, one 500,000 gallon ground storage tank and 5,900 gpm booster pump capacity, which can serve 2,000 equivalent single-family connections. Combined, the two water plants are able to serve a total of 7,075 equivalent single-family connections. Future expansions of Water Plant No. 2 include additional water wells, ground storage tanks, elevated storage tanks, booster pumps, and facilities to receive surface water, which will expand the service capacity of this water plant. Water Plant No. 1 is fully built out.

Surface Water: The Master District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Master District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District). The Authority developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). In connection with its GRP, the Authority entered into a water supply contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The District is included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the Master District, as owner of the water wells, and other major groundwater users, a fee of $2.25 per 1,000 gallons of groundwater pumped and a fee of $2.65 for each 1,000 gallons of surface water received. The Authority has issued $366,305,000 of revenue bonds to fund, among other things, certain Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand within the Authority's GRP; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees"), imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. The Disincentive Fee is currently $7.00 per 1,000 gallons of water, but is subject to increase at the discretion of the Subsidence District. In the event of such Authority's failure to comply and imposition of a disincentive fee penalty by the Subsidence District, the Authority may also seek to collect Disincentive Fees from the Master District. If the Master District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the Master District.

The Master District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to the Participants under the Master Contract who will in turn pass said fees through to customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, further conversion to surface water could necessitate improvements to the system of the Master District, which could require the issuance of additional bonds by the Participants or the Master District. No representation is made, however, that the Authority: (i) will build said lines or any of 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.

Pursuant to a contract dated August 13, 2008, among the Developer, the Master District and the Authority, the Authority has constructed a water line to provide treated surface water to the Master District's Water Plant No. 1. Capacity in certain portions of said water line also serves municipal utility districts which are not a part of Bridgeland and said districts entered into similar contracts with the Authority. Construction of the water line is complete and the Authority began delivering metered surface water to the Master District's Water Plant No. 1 as of June 5, 2013. Such water line provides the Master District with 2.10 million gallons per day ("gpd") of additional water supply. This additional water supply constitutes part of the Master Facilities that serve the Bridgeland development, and provides capacity for up to 2,500 additional water supply system connections. This additional source of supply delays the need for the Master District to develop groundwater wells to meet such demands. The addition of 2,500 water supply system connections provided by the Authority surface water line is estimated to meet future water demands in Bridgeland through April 2018.

Wastewater Treatment: Wastewater treatment for the development within the District is provided by a 600,000 gpd interim wastewater treatment plant and a permanent 1,500,000 gpd wastewater treatment plant owned and operated by the Master District. The Master District's existing wastewater treatment facilities will adequately serve 9,130 equivalent single-family connections based on 230 gpd per connection. Future expansions of the Master District's wastewater treatment facilities will be planned as required by the needs of the Participants.

Major Trunk Lines: Major water distribution and wastewater collection lines have been constructed by the Developer on behalf of the Master District. There is no charge for water distribution system capacity in the Master District's trunk lines; however, there are charges applicable to wastewater collection system capacity in the Master District's trunk lines, as described hereinabove.

Allocation and Purchases of Capacity: An approximate 28 acre school site and approximate 32 acre church site currently under construction will be the first developments within MUD 489. MUD 419 has purchased water supply, wastewater treatment and wastewater collection capacity from the Master District for 3,790 equivalent single family connections. As such, MUD 489 will also be contracting for capacity from the Master District in the near future.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed by MUD 419 to serve 3,064 single-family residential lots, an information center, a clubhouse/recreational facility, an elementary school, a church, a 288-unit apartment community, a CVS Pharmacy, five retail strip centers and five one-story office buildings and approximately 62 acres of vacant land for future commercial/multi-family improvements in MUD 419. In addition, construction is underway in the residential subdivision of Hidden Creek for the development of 138 single-family residential lots on approximately 47 acres. See "THE DISTRICT—Land Use," "—Status of Development," and "—Future Development."

Flood Plain

According to the Engineer, approximately 480 developable acres within the District are currently located in the 100-year floodplain. The Developer is in the process of submitting a Letter of Map Revision ("LOMR") to the Federal Emergency Management Agency ("FEMA") to remove 260 acres within the District from the floodplain. Local agency approval of the LOMR was received October 2015 and the report was submitted to FEMA in November 2015. FEMA approval was granted in June 2016. The remaining acreage within the floodplain will be removed by future FEMA submittals as development progresses.

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District Operations

The Bonds and the Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The District's only significant source of revenue is maintenance taxes. Net revenues from operation of the District, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the years ended May 31, 2012 through May 31, 2016. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended May 31				
	2016	2015	2014	2013	2012
Revenues:					
Property Taxes	$1,175,338	$ 844,342	$ 834,999	$ 831,452	$ 499,925
Penalty and interest	-	7	-	-	
Investment Income	3,453	2,505	1,974	459	194
Other Income	42,145	42,051	42,047	141,000	-
Total Revenue	$1,220,936	$ 888,905	$ 879,020	$ 972,911	$ 500,119
Expenditures:					
Regional Water Fee (a)	$ 18,542	$ -	$ 29,039	$ 93,689	$ 725,685
Professional Fees	154,393	148,451	163,998	143,324	159,866
Contracted Services	31,173	27,762	25,304	23,923	25,321
Utilities	44,460	27,067	42,884	57,503	105,485
Repairs and Maintenance	429,913	474,637	452,137	445,029	431,010
Other	27,478	34,338	46,595	33,949	27,620
Capital Outlay	52,385	19,850	-	-	-
Debt Issuance Costs	5,496	-	-	-	-
Total Expenditures	$ 763,840	$ 732,105	$ 759,957	$ 797,417	$1,474,987
NET REVENUES	$ 457,096	$ 156,800	$ 119,063	$ 175,494	$ (974,868)
Other Financing Sources (b)	$ -	$ -	$ -	$ 252,000	$1,253,000
General Operating Fund Balance (Beginning of Year)	$1,021,344	$ 864,544	$ 745,481	$ 317,987	$ 39,855
General Operating Fund Balance (End of Year)	$1,478,440	$1,021,344	$ 864,544	$ 745,481	$ 317,987

(a) The District pays fees to the West Harris County Regional Water Authority in connection with pumping make-up wells for the amenity lakes.
(b) Developer advance.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2016 Taxable Assessed Valuation	$ 943,291,183	(a)
Estimated Taxable Assessed Valuation as of July 1, 2016	$1,033,663,556	(b)
Gross Direct Debt Outstanding (including the Bonds)	$ 43,640,000	(c)
Estimated Overlapping Debt	159,784,120	(d)
Gross Direct Debt and Estimated Overlapping Debt	$203,424,120	
Ratios of Gross Direct Debt to:		
2016 Taxable Assessed Valuation	4.62%	
Estimated Taxable Assessed Valuation as of July 1, 2016	4.22%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Taxable Assessed Valuation	21.57%	
Estimated Taxable Assessed Valuation as of July 1, 2016	19.68%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of September 8, 2016	$1,507,361	
Capitalized Interest from proceeds of the Bonds (Twelve Months)	175,000	(e)
Total Funds Available for Debt Service	$1,682,361	
Funds Available for Operations and Maintenance as of September 8, 2016	$1,185,963	(f)
Funds Available for Construction as of September 8, 2016	$ 493,095	(g)

(a) The 2016 Taxable Assessed Valuation shown herein includes $819,157,677 of certified value and $124,133,506 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."

(b) As provided by the Appraisal District. Such amount is only an estimate of the assessed value on July 1, 2016, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2016 and July 1, 2016 will be certified as of January 1, 2017 and provided for purposes of taxation in the fall of 2017.

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes" and "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

(e) The District will capitalize twelve (12) months of interest on the Bonds. The amount of interest to be capitalized from Bond proceeds is estimated at 3.50%. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(f) Includes funds in the amount of $175,976 in the District's sub-account for parks and recreational facilities.

(g) Represents surplus construction funds, and interest thereon, derived from the Outstanding Bonds and includes $300,000 approved for use by the TCEQ in connection with the issuance of the Bonds. Surplus funds for construction may be expended for any lawful purpose for which surplus funds may be used, limited, however, to the purposes for which the issue of the Outstanding Bonds which produced the surplus funds were issued. Under certain circumstances, the approval of the TCEQ is required for the use of surplus funds derived from bonds issued for the purpose of financing drainage and recreational facilities. Of such remaining amount, $346,933 and $146,162 may be used to finance drainage facilities and park and recreational facilities, respectively, with the approval of the TCEQ.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate owning long term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

The District has previously issued seven series of unlimited tax bonds for funding major channel and drainage facilities within the District, one series of unlimited tax park bonds for funding recreational facilities within the District, and two series of unlimited tax refunding bonds for the purpose of refunding outstanding debt issued for drainage facilities. The following table lists the original principal amount of such bonds by series and the current principal amount of such bonds that remain outstanding (the "Outstanding Bonds") as of the date hereof.

Series		Original Principal Amount	Outstanding Bonds
2007		$ 6,950,000	$ 230,000
2009		7,000,000	400,000
2010		5,100,000	1,000,000
2011		5,110,000	4,715,000
2012		1,390,000	1,275,000
2013	(a)	5,800,000	5,050,000
2014		6,500,000	5,955,000
2015	(b)	4,940,000	4,885,000
2015A		5,000,000	4,850,000
2016	(b)	10,280,000	10,280,000
Total		$58,070,000	$ 38,640,000

(a) Unlimited Tax Park Bonds.
(b) Unlimited Tax Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds plus the estimated debt service on the Bonds at an estimated interest rate per annum of 3.50%. This schedule does not reflect the fact that an amount equal to twelve (12) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: The Bonds Principal	Interest	Total	Debt Service Requirements
2017	$ 2,926,156.26	$ 200,000	$ 160,416.67	$ 360,416.67	$ 3,286,572.93
2018	2,906,213.76	200,000	168,000.00	368,000.00	3,274,213.76
2019	2,906,403.76	200,000	161,000.00	361,000.00	3,267,403.76
2020	2,882,728.76	200,000	154,000.00	354,000.00	3,236,728.76
2021	2,859,928.76	200,000	147,000.00	347,000.00	3,206,928.76
2022	2,844,361.26	200,000	140,000.00	340,000.00	3,184,361.26
2023	2,823,851.26	200,000	133,000.00	333,000.00	3,156,851.26
2024	2,799,368.76	200,000	126,000.00	326,000.00	3,125,368.76
2025	2,770,293.76	200,000	119,000.00	319,000.00	3,089,293.76
2026	2,753,068.76	200,000	112,000.00	312,000.00	3,065,068.76
2027	2,717,393.76	200,000	105,000.00	305,000.00	3,022,393.76
2028	2,704,037.50	200,000	98,000.00	298,000.00	3,002,037.50
2029	2,672,250.00	200,000	91,000.00	291,000.00	2,963,250.00
2030	2,641,331.26	200,000	84,000.00	284,000.00	2,925,331.26
2031	2,623,618.76	200,000	77,000.00	277,000.00	2,900,618.76
2032	2,592,681.26	200,000	70,000.00	270,000.00	2,862,681.26
2033	2,273,300.00	225,000	63,000.00	288,000.00	2,561,300.00
2034	2,231,198.76	225,000	55,125.00	280,125.00	2,511,323.76
2035	1,462,352.50	225,000	47,250.00	272,250.00	1,734,602.50
2036	1,388,492.50	225,000	39,375.00	264,375.00	1,652,867.50
2037	1,360,000.00	225,000	31,500.00	256,500.00	1,616,500.00
2038	618,800.00	225,000	23,625.00	248,625.00	867,425.00
2039	351,000.00	225,000	15,750.00	240,750.00	591,750.00
2040	338,000.00	225,000	7,875.00	232,875.00	570,875.00
Total	$ 54,446,831.40	$ 5,000,000	$ 2,228,916.67	$ 7,228,916.67	$ 61,675,748.07

Average Annual Debt Service Requirements (2017-2040) $2,569,823
Maximum Annual Debt Service Requirement (2017) $3,286,573

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County	$2,303,970,000	07/31/16	0.21%	$ 4,838,337
Harris County Flood Control District	83,075,000	07/31/16	0.21%	174,458
Port of Houston Authority	674,269,397	07/31/16	0.21%	1,415,966
Cypress-Fairbanks Independent School District	2,303,970,000	07/31/16	1.83%	42,162,651
Harris County Department of Education	7,000,000	07/31/16	0.21%	14,700
Lone Star College System	568,335,000	07/31/16	0.48%	2,728,008
MUD 419 (a)	108,450,000	09/02/16	100.00%	108,450,000
Total Estimated Overlapping Debt				$159,784,120
The District's Total Direct Debt (b)				43,640,000
Total Direct and Estimated Overlapping Debt				$203,424,120
Direct and Estimated Overlapping Debt as a Percentage of:				
2016 Taxable Assessed Valuation of $943,291,183				21.57%
Estimated Taxable Assessed Valuation as of July 1, 2016 of $1,033,663,556				19.68%

(a) Includes $18,000,000 principal amount of unlimited tax bonds anticipated to be issued by MUD 419 in November 2016 and $3,155,000 principal amount of unlimited tax road bonds expected to be issued by MUD 419 in December 2016. See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

(b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2015 tax year by all overlapping taxing jurisdictions and the anticipated 2016 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority)	$ 0.635402
Cypress Fairbanks Independent School District	1.440000
Harris County Emergency Services District No. 9	0.055000
MUD 419 (a)	0.970000
Lone Star College System	0.107900
Total Overlapping Tax Rate	$ 3.208302
The District	0.480000 (b)
Total Tax Rate	$ 3.688302

(a) See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

(b) On September 8, 2016, the District authorized the publication of a notice of its intent to adopt a total 2016 tax rate in the amount of $0.48 per $100 of taxable assessed valuation. In October 2016, the District expects to adopt a 2016 tax rate, which may be lower than $0.48 See "TAX DATA—Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS—Economic Factors and Interest Rates."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on May 7, 2005, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation for general operations and maintenance costs. At said election held on May 7, 2005, voters also authorized the Board to levy a maintenance tax for operations and maintenance costs of recreational facilities at a rate not to exceed $0.10 per $100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Exemptions

For the tax year 2016, the District has adopted a residential homestead exemption of $10,000 of assessed valuation for persons 65 years of age or older or who are under a disability for purposes of payment of disability insurance under the Federal Old-Age Survivors and Disability Insurance Act. See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Tax Rate Distribution

	2012	2013	2014	2015	Anticipated 2016 (a)
Debt Service	$ 0.32	$ 0.36	$ 0.38	$ 0.34	$ 0.34
Maintenance	0.18	0.14	0.12	0.14	0.14
Total	$ 0.50	$ 0.50	$ 0.50	$ 0.48	$ 0.48

(a) On September 8, 2016, the District authorized the publication of a notice of its intent to adopt a total 2016 tax rate in the amount of $0.48 per $100 of taxable assessed valuation. In October 2016, the District expects to adopt a 2016 tax rate, which may be lower than $0.48.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Tax Year	Net Certified Taxable Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections As of 8/31/16 (c) Amount	Percent
2011	$ 383,700,181	$0.50	$1,918,501	$1,918,300	99.99%
2012	467,083,853	0.50	2,335,419	2,335,201	99.99%
2013	592,947,834	0.50	2,964,739	2,963,083	99.94%
2014	715,735,909	0.50	3,578,680	3,572,673	99.83%
2015	840,810,423	0.48	4,035,890	4,024,975	99.73%
2016	943,291,183	0.48	4,527,798	(d)	(d)

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.

(c) Reflects unaudited collections.

(d) On September 8, 2016, the District authorized the publication of a notice of its intent to adopt a total 2016 tax rate in the amount of $0.48 per $100 of taxable assessed valuation. In October 2016, the District expects to adopt a 2016 tax rate, which may be lower than $0.48. See "TAX DATA—Tax Rate Distribution." Taxes for 2016 are due by January 31, 2017.

Tax Roll Information

The District's taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2012 through 2016 Taxable Assessed Valuations. Breakdowns of the uncertified portion ($124,133,506) of the 2016 Taxable Assessed Valuation of $943,291,183 or Estimated Taxable Assessed Valuation as of July 1, 2016 of $1,033,663,556 are not available.

	2012 Taxable Assessed Valuation	2013 Taxable Assessed Valuation	2014 Taxable Assessed Valuation	2015 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	$ 126,110,899	$ 145,765,903	$ 177,416,970	$ 210,226,319	$ 179,069,098
Improvements	347,057,144	455,611,034	551,245,193	642,317,914	652,909,831
Personal Property	4,283,855	6,801,651	7,909,846	9,810,538	3,477,021
Less Exemptions	(10,368,045)	(15,230,754)	(20,836,100)	(21,544,348)	(16,298,273)
Uncertified	-	-	-	-	124,133,506
Total Taxable Assessed Valuation	$ 467,083,853	$ 592,947,834	$ 715,735,909	$ 840,810,423	$ 943,291,183

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such taxable assessed value as a percentage of certified portion ($819,157,677) of the 2016 Taxable Assessed Valuation of $943,291,183. This represents ownership as of January 1, 2016. Principal taxpayer lists related to the uncertified portion ($124,133,506) of the 2016 Taxable Assessed Valuation of $943,291,183 or the Estimated Taxable Assessed Valuation as of July 1, 2016 of $1,033,663,556 are not available.

Taxpayer	2016 Certified Taxable Assessed Valuation	% of 2016 Certified Taxable Assessed Valuation
Bridgeland Development, L.P. (a)	$ 39,158,724	4.78%
Lakeland Village Holding Company LLC	7,849,576	0.96%
Lennar Homes of Texas (b)(c)	2,784,695	0.34%
Darling Homes of Texas LLC (b)	2,503,197	0.31%
CenterPoint Enegy Houston Electric	1,692,640	0.21%
Taylor Morrison of Texas Inc. (b)	1,416,893	0.17%
Beazer Homes Texas LP (b)	1,336,265	0.16%
Meritage Homes of Texas LLC (b)	1,288,557	0.16%
Individual Residential Property Owner	1,262,838	0.15%
Westin Homes & Properties LP (b)	1,112,244	0.14%
Total of Principal Taxpayers	$ 60,405,629	7.38%

(a) See "THE DEVELOPER."
(b) See "THE DISTRICT—Homebuilding."
(c) Includes 2016 certified taxable assessed valuation in the amount of $1,165,443 associated with Lennar Homes of Texas Land & Construction Ltd.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet average annual and maximum debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2016 Taxable Assessed Valuation of $943,291,183 or Estimated Taxable Assessed Valuation as of July 1, 2016 of $1,033,663,556. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2017-2040) $2,569,823
$0.29 Tax Rate on 2016 Taxable Assessed Valuation $2,598,767
$0.27 Tax Rate on Estimated Taxable Assessed Valuation as July 1, 2016 .... $2,651,347

Maximum Annual Debt Service Requirement (2017).......... $3,286,573
$0.37 Tax Rate on 2016 Taxable Assessed Valuation $3,315,669
$0.34 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2016 .... $3,338,733

No representation or suggestion is made that the uncertified portion of the 2016 Taxable Assessed Valuation will not be adjusted downward or that the estimated values of land and improvements provided by the Appraisal District as of July 1, 2016, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2015 tax year, the District granted an exemption of $10,000 of assessed valuation for persons 65 years of age or older and individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never granted a general residential homestead exemption.

Valuation of Property for Taxation

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based upon the new use for the three (3) years to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2016, approximately 0.8 acres within the District were the subject of a special exemption.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (after annexation of the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (30) days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent and as an alternative to the penalty described in the foregoing sentence, an additional penalty of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal rolls lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is a person sixty-five (65) years of age or older or under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between twelve (12) and thirty-six (36) months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding twenty-four (24) months.

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by 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 taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots which are currently being marketed by the Developer to the Builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" herein and "THE DISTRICT—Homebuilding."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is 25 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Development and Home Construction in the District

As of September 8, 2016, 1,113 developable acres of land in the District (including approximately 28 acres owned by Cypress-Fairbanks Independent School District and excluding approximately 26 acres where construction is underway for multi-family and commercial/retail development and approximately 62 acres served by underground trunkline water, sewer and drainage facilities for future commercial/multi-family development) have not been fully provided with utility service necessary for development. Future increases in value will result primarily from the construction of homes by Builders and commercial and multi-family improvements. The District makes no representation with regard to whether or not homebuilding programs will be successful or commercial or multi-family improvements will be constructed. See "THE DISTRICT—Land Use," "THE DEVELOPER," and "Possible Impact on District Tax Rates" below.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2016 Taxable Assessed Valuation is $943,291,183 ($819,291,183 of certified value plus $124,133,506 of uncertified value) and the Estimated Taxable Assessed Valuation as of July 1, 2016, is $1,033,663,556. After issuance of the Bonds, the maximum annual debt service requirement will be $3,286,573 (2017), and the average annual debt service requirement will be $2,569,823 (2017-2040 inclusive). Assuming no increase or decrease from the 2016 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.37 and $0.29, respectively per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

The Estimated Taxable Assessed Valuation as of July 1, 2016, is $1,033,663,556, which reduces the above tax calculations to $0.34 and $0.27 per $100 of taxable assessed valuation, respectively. No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District as of July 1, 2016, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Overlapping Debt and Taxes

All of the land within the District is also included within or expected to be included within the boundaries of Harris County Municipal Utility District No. 419 ("MUD 419"), Harris County Municipal Utility District No. 418 ("MUD 418") or Harris County Municipal Utility District No. 489 ("MUD 489"). MUD 419 has heretofore issued bonds and each of such municipal utility districts is expected to issue bonds in the future in order to fund the internal water, sewer, drainage, recreational and road facilities needed for development and to levy an unlimited tax to pay debt service on such bonds. This tax is in addition to the tax levied by the District and the taxes levied by other taxing jurisdictions.

The District intends that the composite tax rate of the District and either MUD 418, MUD 419, or MUD 489, will not exceed $1.50 per $100 of taxable assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District, MUD 418, MUD 419 or MUD 489, is subject to numerous uncertainties such as the growth of taxable values within the boundaries of MUD 418, MUD 419 or MUD 489, regulatory approvals, construction costs and interest rates. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates of competing projects in the Houston metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. A combined tax rate of $1.45 per $100 of taxable assessed valuation is higher than the tax rate of many utility districts in the Houston metropolitan area, although such a combined rate is within the range of tax rates imposed for similar purposes by many utility districts in the Houston metropolitan area in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Harris County limit the projected combined total tax rate of entities levying a tax for water, wastewater, drainage, recreational facilities and roads to $1.50 per $100 of assessed valuation. In the case of the District, the total combined tax rate under current TCEQ rules includes the tax rate of the District in combination with MUD 418, MUD 419 or MUD 489. The anticipated 2016 combined tax rate of the District and MUD 419 is $1.45 per $100 of taxable assessed valuation and is consistent with the rules of the TCEQ. If the total combined tax rate should ever exceed $1.50 per $100 of assessed valuation, the District and MUD 418, MUD 419 or MUD 489 could be prohibited under rules of the TCEQ from selling additional bonds. See "Possible Impact on District Tax Rates" above and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes."

Voters within the Bridgeland Management District ("Management District"), which includes 1,175 acres within the boundaries of the District, have approved the levy of a sales and use tax and a hotel occupancy tax and issuance of bonds payable from said taxes and/or property assessments. The Management District has not considered calling an election to authorize the levy, assessment and collection of ad valorem taxes or the issuance of bonds payable in whole or in part from ad valorem taxes. See "BRIDGELAND."

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes, that have already been paid.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $256,600,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for financing drainage facilities, and, after the issuance of the Bonds, $214,550,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. Further, a total of $204,300,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for financing recreational facilities, of which $198,500,000 remains authorized but unissued. In addition, voters have authorized $460,900,000 in principal amount of unlimited tax refunding bonds ($256,600,000 in principal amount for drainage facilities and $204,300,000 in principal amount for recreational facilities), of which $459,495,000 remains authorized but unissued ($255,195,000 in principal amount for drainage facilities and $204,230,000 in principal amount for recreational facilities). Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

After reimbursements are made with Bond proceeds, the District will continue to owe funds to the Developer in the amount of approximately $8,700,000 plus interest for advances made for the engineering and construction of major drainage facilities and channel improvements and recreational facilities and approximately $31,000,000 plus interest for recreational facilities; however, the principal amount of bonds (outstanding bonds must be taken into account) issued to finance parks may not exceed 1% of the District's taxable value at the time the bonds are issued. The District currently has $5,800,000 principal amount of recreation bonds outstanding (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds"). The District intends to issue additional bonds in order to fully reimburse the Developer for facilities constructed or under construction and to provide major drainage facilities and channel improvements and recreational facilities to the remainder of undeveloped but developable land (approximately 1,113 developable acres of land in the District including approximately 28 acres owned by Cypress-Fairbanks Independent School District and excluding approximately 26 acres where construction is underway for multi-family and commercial/retail development and approximately 62 acres served by underground trunkline water, sewer and drainage facilities for future commercial/multi-family development). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "Overlapping Debt and Taxes" in this section and "THE BONDS—Issuance of Additional Debt" and "—Financing of Recreational Facilities."

Marketability of the Bonds

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

Environmental and Air Quality Regulations

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district ("Utility Districts") 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 injunctive relief as to future compliance of and the ability to operate the Utility District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Utility Districts, including the District. It should be noted that changes in environmental laws and 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 Houston and adjacent areas. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston area ("HGB area") — Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties — was originally designated by the EPA as a moderate ozone nonattainment area for the "8-hour" ozone standard. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's "8-hour" ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA's standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

In order to comply with the EPA's standards for the HGB area, the TCEQ has established a state implementation plan ("SIP") 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. On June 15, 2007, the Governor of the State of Texas requested a voluntary reclassification of the HGB area to a severe ozone nonattainment area for the 8-hour ozone standard, with an attainment date of June 15, 2019. On October 1, 2008, the EPA granted this request. The severe classification will give the HGB area more time to reach attainment. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. These additional controls could have a negative impact on the HGB area's economic growth and development.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion ("ppb") to 70 ppb. This could make it more difficult for the HGB Area to demonstrate progress is reducing ozone concentration.

***Stormwater Issues*.** Construction activities and operations of Utility Districts, such as the District, are also potentially subject to stormwater discharge permitting requirements under provisions from Section 402 of the Clean Water Act and Chapter 26 of the Texas Water Code. The permitting process is, in most instances, managed by the TCEQ through its Texas Pollutant Discharge Elimination System ("TPDES").

The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. TXR150000 became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. Construction activity by the District (or by its Developer) may require coverage under TXR150000.

The TCEQ reissued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (TXR040000) on December 13, 2013. TXR040000 became effective on December 13, 2013 and authorizes the discharge of stormwater to surface waters within the state from small municipal separate storm sewer systems ("Small MS4s"). TXR040000, as reissued, impacts a much greater number of Small MS4s that were not subject to the prior permit due to the 2010 Urbanized Area data released from the US Census Bureau. TXR040000, as reissued, also contains more stringent requirements compared to the prior permit. Small MS4s that are subject to TXR040000, as reissued, were required to apply for authorization under such permit by June 11, 2014. Notwithstanding the foregoing, the District is located within Harris County and its Small MS4 is subject to regulation by Harris County. Harris County, along with the City of Houston, Harris County Flood Control District, and the Texas Department of Transportation (collectively, the "Joint Task Force") have been issued a joint permit by the EPA which authorizes the discharge of stormwater to surface waters within the state from their respective separate storm sewer systems. Joint Task Force members regulate stormwater discharges within their respective jurisdictions. Harris County regulates the District's Small MS4 and, therefore, the TCEQ does not at this time require the District to obtain coverage under TXR040000. Small MS4 regulation by Joint Task Force members may change in the future and the TCEQ may require the District to obtain coverage under TXR040000 in the future.

Operations of Utility Districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act 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 U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such legislation, administrative action, or court decision could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “LEGAL MATTERS—Tax Exemption.”

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections “THE BONDS,” “THE DISTRICT—General,” “MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel,” and “WATER, WASTEWATER AND STORM DRAINAGE—Master Facilities,” “TAXING PROCEDURES,” and “LEGAL MATTERS,” solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

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

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

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

Collateral Federal Income Tax Consequences

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

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

Interest on the Bonds will be included as an adjustment for "adjusted current earnings" of a corporation for purposes of computing its alternative minimum tax under Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned a credit rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

FirstSouthwest, a Division of Hilltop Securities Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc. has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants:

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and "TAXING PROCEDURES" has been provided by Wheeler & Associates, Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," "PARK AND RECREATIONAL FACILITIES," "ROADS," and "WATER, WASTEWATER AND DRAINAGE" has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ended May 31, 2016, were audited by BKD, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's May 31, 2016, financial statements. The District did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the May 31, 2016, financial statements.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements," "TAX DATA" and in "APPENDIX A" (Auditor's Report and Financial Statements and supplemental schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2016.

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

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

Specified 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 events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt 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 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 the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

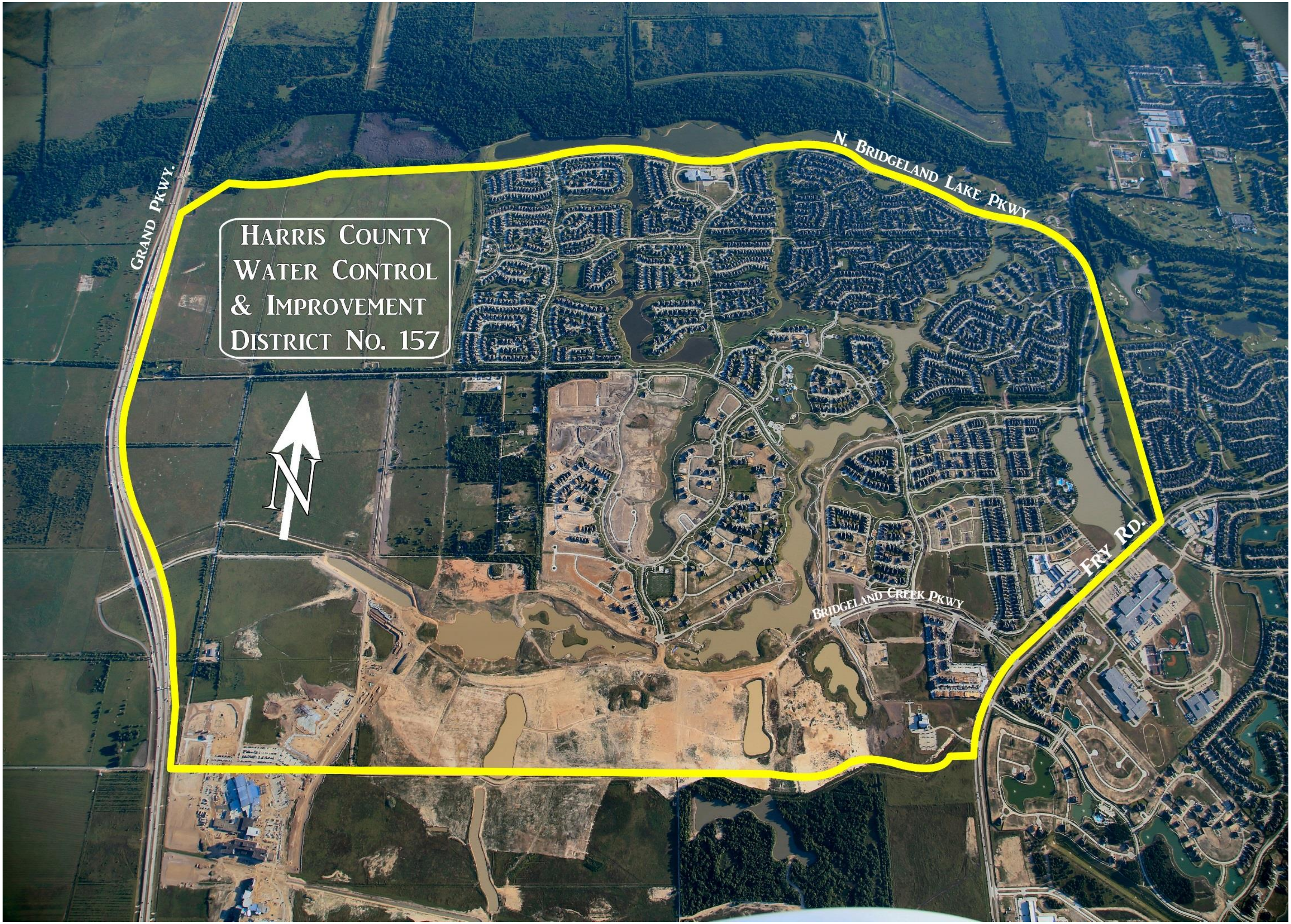
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not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

/s/ __________________________
President, Board of Directors

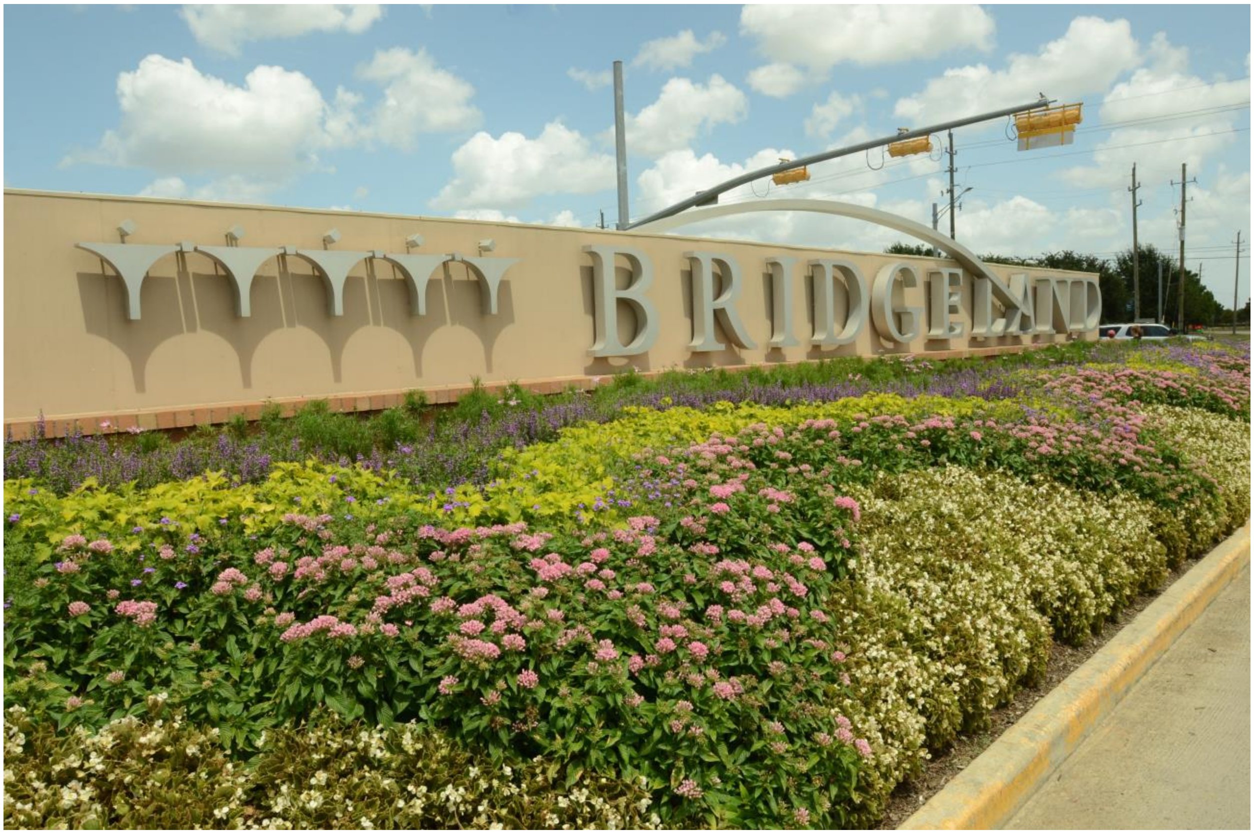
ATTEST:

/s/ __________________________
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate Boundaries as of July 2016)


Harris County
Water Control
& Improvement
District No. 157
N
N. Bridgeland Lake Pkwy
Grand Pkwy.
Fry Rd.
Bridgeland Creek Pkwy

PHOTOGRAPHS OF THE DISTRICT
(Taken July 2016)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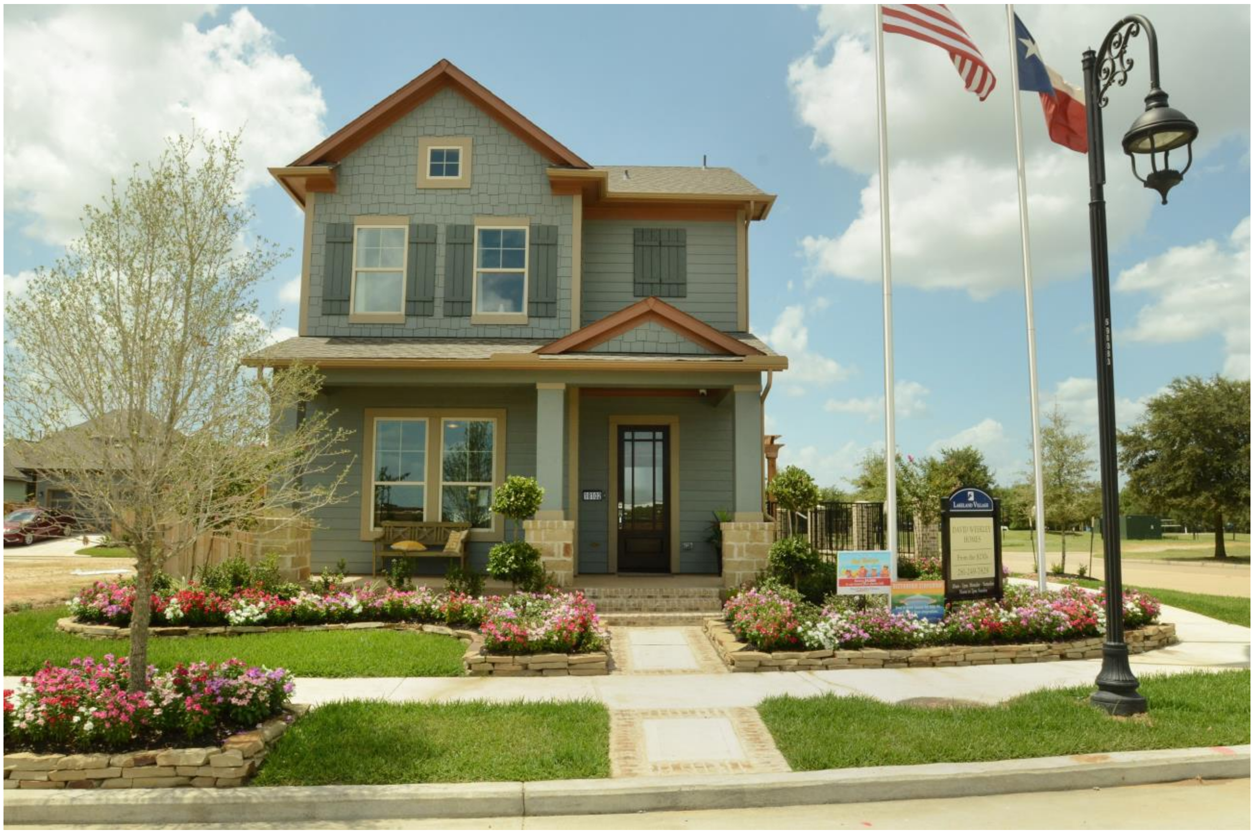
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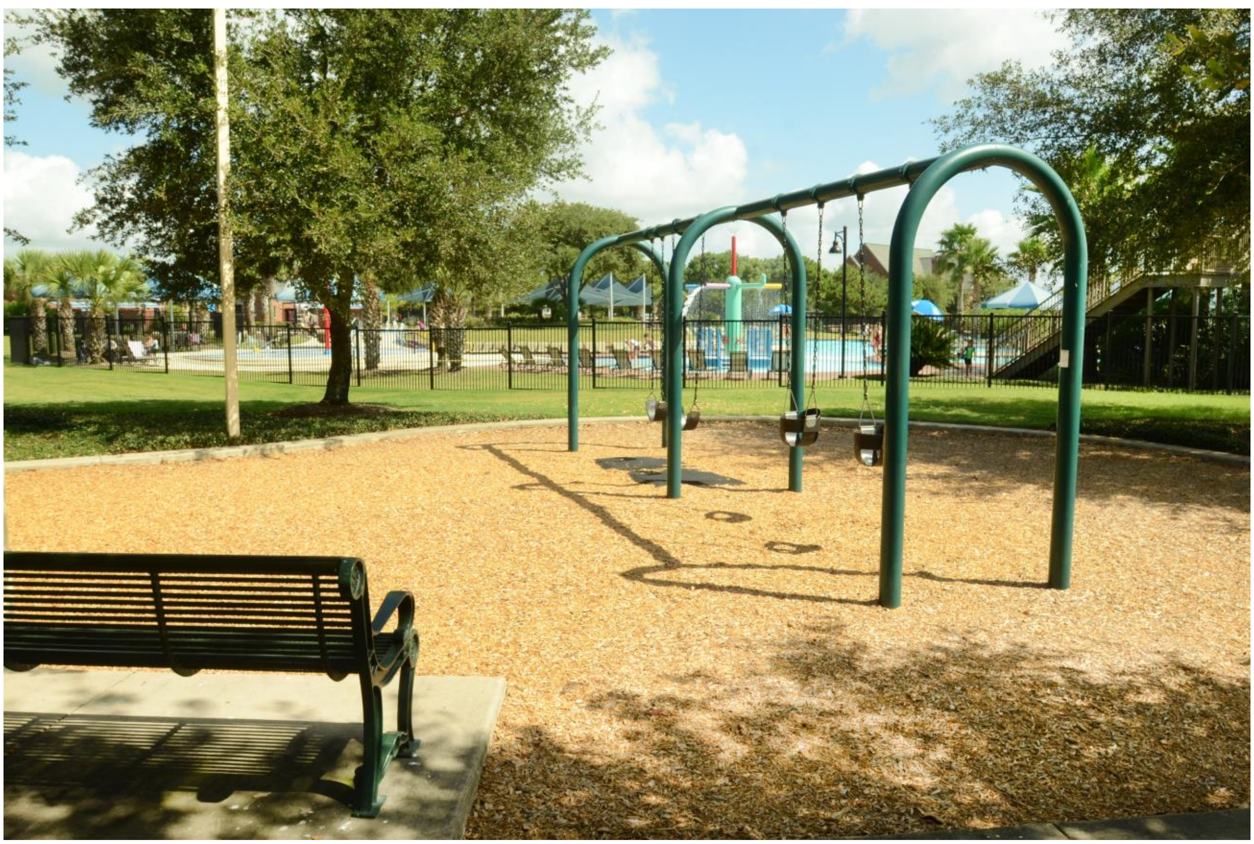
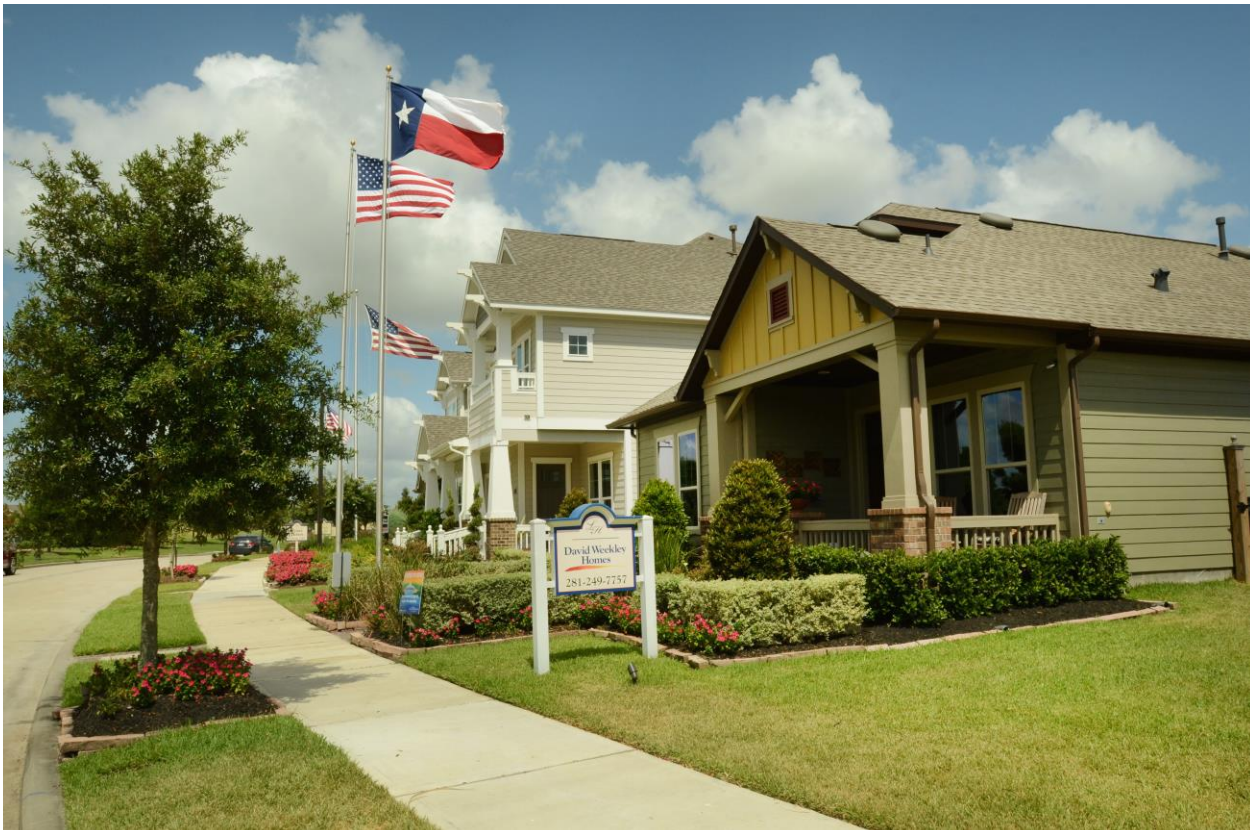
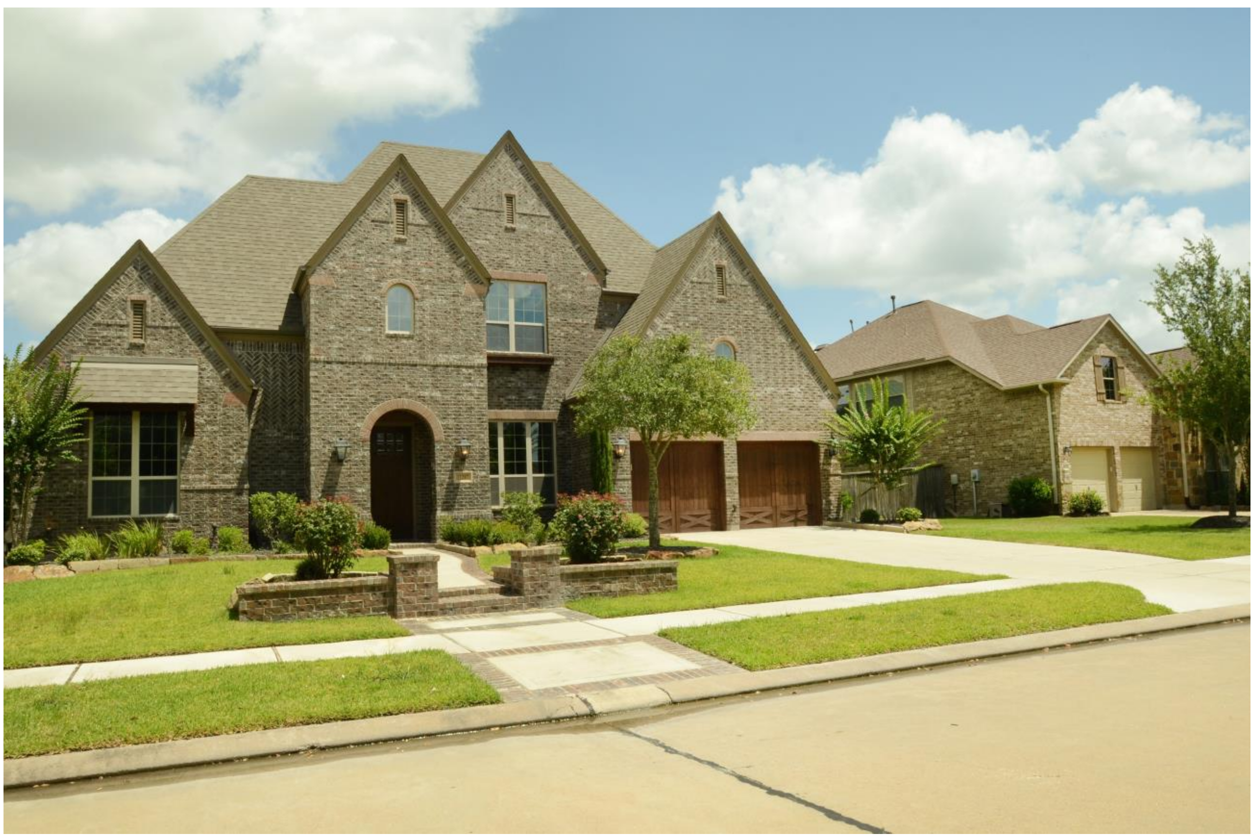
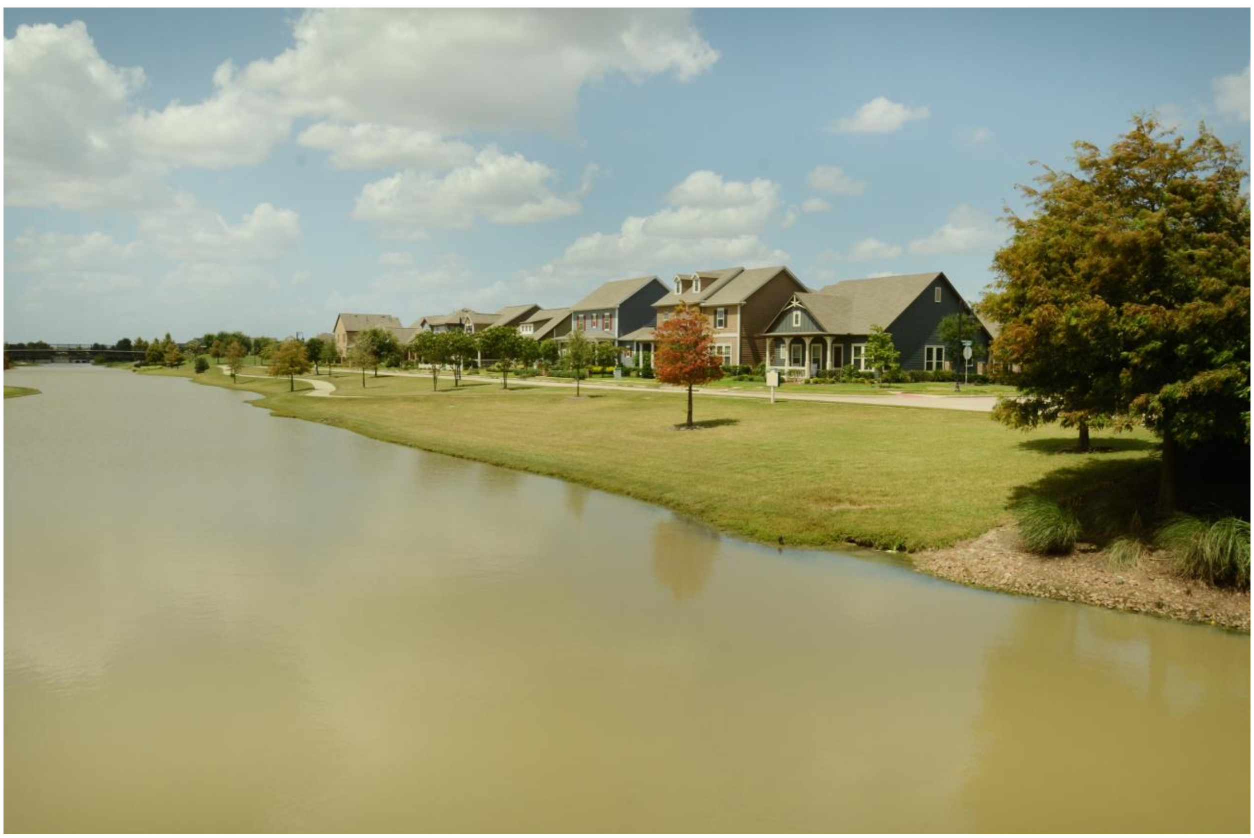
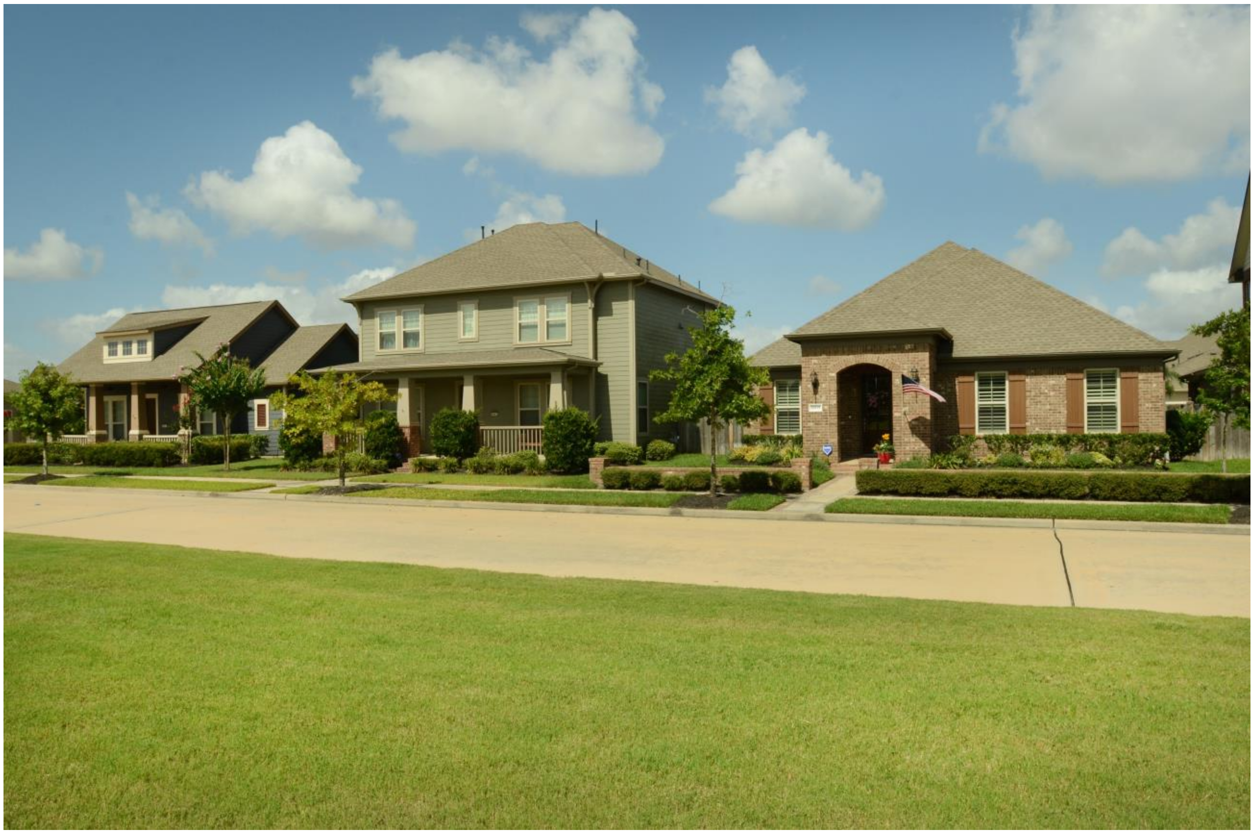


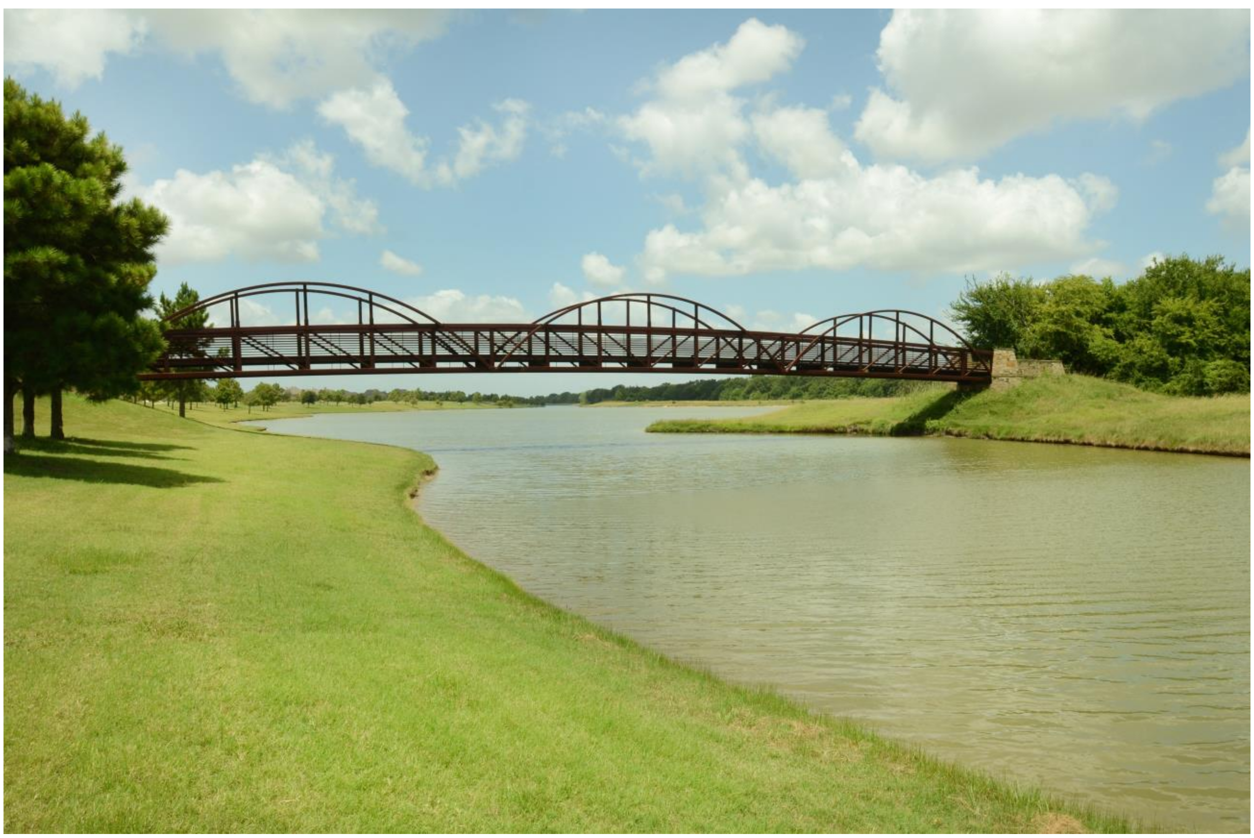

David Weekley
Homes
281-249-7757

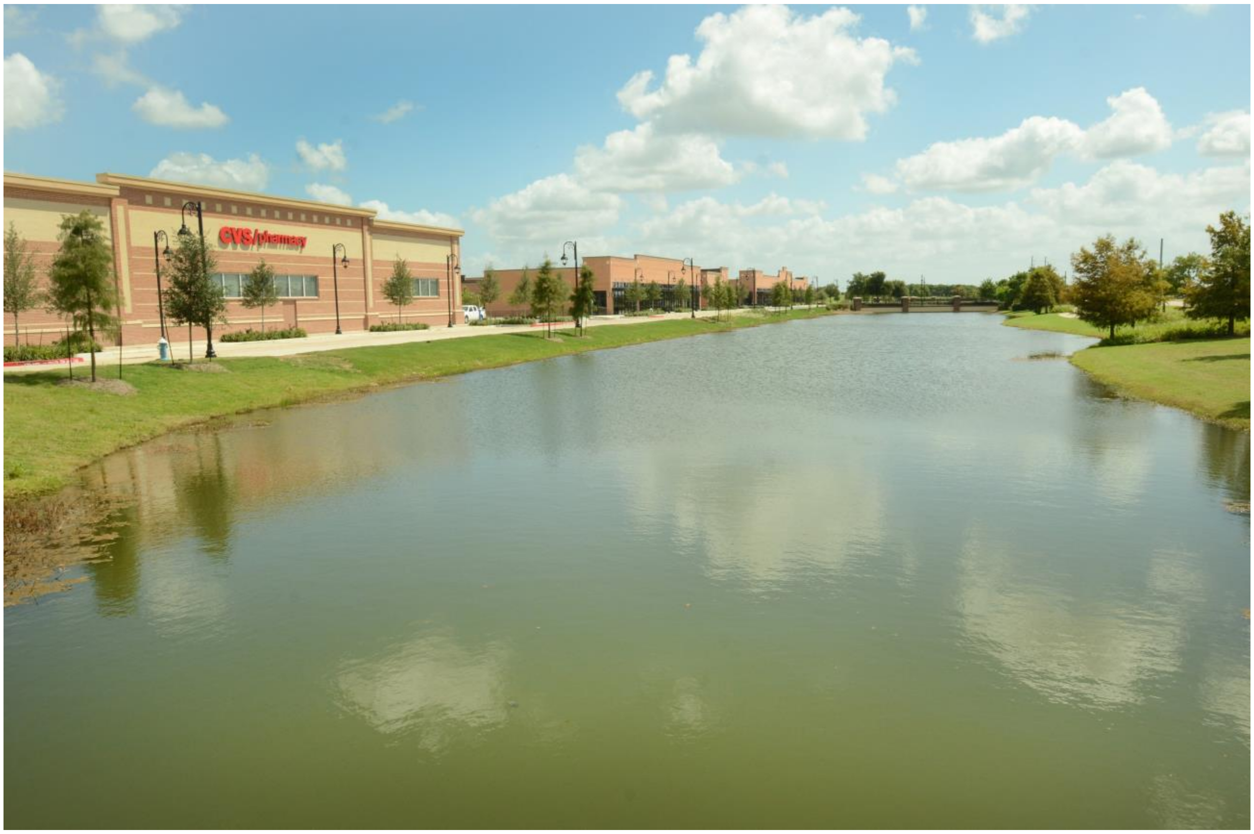



SOLD








CVS/pharmacy

APPENDIX A

Auditor’s Report and Financial Statements of the District for the year ended May 31, 2016

The information contained in this appendix includes the audited financial statements of Harris County Water Control and Improvement District No. 157 and certain supplemental information for the fiscal year ended May 31, 2016.

Harris County Water Control and Improvement District No. 157

Harris County, Texas

Independent Auditor's Report and Financial Statements

May 31, 2016

BKD LLP
CPAs & Advisors

Harris County Water Control and Improvement District No. 157
May 31, 2016

Contents

BKD LLP
CPAs & Advisors
2800 Post Oak Boulevard, Suite 3200 // Houston, TX 77056-6167
713.499.4600 // fax 713.499.4699 // bkd.com

Independent Auditor's Report

Board of Directors
Harris County Water Control and Improvement District No. 157
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities of Harris County Water Control and Improvement District No. 157 (the District), which are comprised of a statement of net position as of May 31, 2016, and a statement of activities for the year then ended; as well as the accompanying financial statements of each major fund, which for governmental funds are comprised of a balance sheet as of May 31, 2016, and a statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of May 31, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
September 29, 2016

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of drainage services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2016	2015
Current and other assets	$ 5,735,789	$ 5,395,284
Capital assets	56,850,112	43,555,252
Total assets	62,585,901	48,950,536
Deferred outflows of resources	1,359,955	671,318
Total assets and deferred outflows of resources	$ 63,945,856	$ 49,621,854
Long-term liabilities	$ 65,989,935	$ 52,265,341
Other liabilities	368,209	366,795
Total liabilities	66,358,144	52,632,136
Net position:		
Restricted	3,269,239	2,967,826
Unrestricted	(5,681,527)	(5,978,108)
Total net position	$ (2,412,288)	$ (3,010,282)

The total net position of the District increased by $597,994, or about 20 percent. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2016	2015
Revenues:		
Property taxes	$ 4,051,518	$ 3,530,267
Other revenues	29,168	24,062
Total revenues	4,080,686	3,554,329
Expenses:		
Services	862,623	814,152
Depreciation	441,924	273,797
Debt service	2,178,145	1,977,587
Total expenses	3,482,692	3,065,536
Change in net position	597,994	488,793
Net position, beginning of year	(3,010,282)	(3,499,075)
Net position, end of year	$ (2,412,288)	$ (3,010,282)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2016, were $5,601,510, an increase of $362,001 from the prior year.

The general fund's fund balance increased by $457,096 primarily due to property tax revenues and other income exceeding service operations expenditures.

The debt service fund's fund balance increased by $243,813 due to bond principal and interest requirements being less than tax revenues.

The capital projects fund's fund balance decreased by $338,908 due to capital outlay expenditures and debt issuance costs exceeding proceeds received from the sale of the Series 2015A bonds.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to professional fees and repairs and maintenance expenditures being less than anticipated and property tax revenues and capital outlay expenditures being greater than anticipated. The fund balance as of May 31, 2016, was expected to be $1,169,922 and the actual end-of-year fund balance was $1,478,440.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2016	2015
Land and improvements	$ 49,490,739	$ 39,083,496
Parks and recreation	7,359,373	4,471,756
Total capital assets	$ 56,850,112	$ 43,555,252

During the current year, additions to capital assets were as follows:

Bridgeland, Phases 3 and 4, detention and spoil disposal	$ 10,407,243
Bridgeland retaining walls	33,000
Bridgeland irrigation pump stations Nos. 1, 2 and 3 upgrades	2,333,417
Bridgeland make-up well No. 4	963,124
Total additions to capital assets	$ 13,736,784

The developer of the District is constructing drainage and recreational facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. At May 31, 2016, a liability for developer-constructed capital assets of $24,182,593 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2016, are summarized as follows.

Long-term debt payable, beginning of year	$	52,265,341
Increases in long-term debt		28,870,453
Decreases in long-term debt		(15,145,859)
Long-term debt payable, end of year	$	65,989,935

During the fiscal year ended May 31, 2016, the District issued $10,280,000 in unlimited tax refunding bonds at a net effective interest rate of 2.82 percent to advance-refund $5,415,000 of outstanding Series 2007 bonds, $1,230,000 of outstanding Series 2009 bonds and $2,900,000 of outstanding Series 2010 bonds. The District advance-refunded the bonds to reduce total debt service payments over future years by $1,017,684 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $779,206.

At May 31, 2016, the District had $219,550,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the drainage system within the District and $198,500,000 for financing and constructing recreational facilities.

The District's bonds carry an underlying rating of "A2" from Moody's Investor's Service. The Series 2007 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Co. The Series 2015 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2015A bonds and Series 2016 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $11,530,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Water Control and Improvement District No. 157

Statement of Net Position and Governmental Funds Balance Sheet

May 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 218,930	$ 83,351	$ 501,358	$ 803,639	$ -	$ 803,639
Certificates of deposit	1,150,000	2,880,000	-	4,030,000	-	4,030,000
Short-term investments	66,014	731,155	-	797,169	-	797,169
Property taxes receivable	11,336	28,655	-	39,991	-	39,991
Accrued penalty and interest	-	-	-	-	7,044	7,044
Accrued interest	1,687	5,362	-	7,049	-	7,049
Due from others	-	-	-	-	42,000	42,000
Interfund receivable	74,247	2,681	-	76,928	(76,928)	-
Prepaid expenditures	8,897	-	-	8,897	-	8,897
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	49,490,739	49,490,739
Parks and recreation	-	-	-	-	7,359,373	7,359,373
Total assets	1,531,111	3,731,204	501,358	5,763,673	56,822,228	62,585,901
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	1,359,955	1,359,955
Total assets and deferred outflows of resources	$ 1,531,111	$ 3,731,204	$ 501,358	$ 5,763,673	$ 58,182,183	$ 63,945,856

Harris County Water Control and Improvement District No. 157

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

May 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 21,974	$ 3,878	$ 1,289	$ 27,141	$ -	$ 27,141
Accrued interest payable	-	18,103	-	18,103	322,965	341,068
Interfund payable	19,361	57,567	-	76,928	(76,928)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,475,000	1,475,000
Due after one year	-	-	-	-	64,514,935	64,514,935
Total liabilities	41,335	79,548	1,289	122,172	66,235,972	66,358,144
Deferred Inflows of Resources						
Deferred property tax revenues	11,336	28,655	0	39,991	(39,991)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	8,897	-	-	8,897	(8,897)	-
Restricted:						
Unlimited tax bonds	-	3,417,697	-	3,417,697	(3,417,697)	-
Drainage and detention	-	-	349,686	349,686	(349,686)	-
Parks and recreation	214,894	205,304	150,383	570,581	(570,581)	-
Unassigned	1,254,649	-	-	1,254,649	(1,254,649)	-
Total fund balances	1,478,440	3,623,001	500,069	5,601,510	(5,601,510)	0
Total liabilities, deferred inflows of resources and fund balances	$ 1,531,111	$ 3,731,204	$ 501,358	$ 5,763,673		
Net position:						
Restricted for debt service					3,236,701	3,236,701
Restricted for capital projects					32,538	32,538
Unrestricted					(5,681,527)	(5,681,527)
Total net position					$ (2,412,288)	$ (2,412,288)

Harris County Water Control and Improvement District No. 157

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended May 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,175,338	$ 2,866,626	$ -	$ 4,041,964	$ 9,554	$ 4,051,518
Penalty and interest	-	13,126	-	13,126	2,200	15,326
Investment income	3,453	9,245	987	13,685	-	13,685
Other income	42,145	12	-	42,157	(42,000)	157
Total revenues	1,220,936	2,889,009	987	4,110,932	(30,246)	4,080,686
Expenditures/Expenses						
Service operations:						
Regional water fee	18,542	-	-	18,542	-	18,542
Professional fees	154,393	1,756	-	156,149	24,748	180,897
Contracted services	31,173	84,818	-	115,991	638	116,629
Utilities	44,460	-	-	44,460	-	44,460
Repairs and maintenance	429,913	-	-	429,913	28,399	458,312
Other expenditures	27,478	15,459	846	43,783	-	43,783
Capital outlay	52,385	-	4,788,601	4,840,986	(4,840,986)	-
Depreciation	-	-	-	-	441,924	441,924
Debt service:						
Principal retirement	-	1,230,000	-	1,230,000	(1,230,000)	-
Interest and fees	-	1,431,470	-	1,431,470	45,070	1,476,540
Debt issuance costs	5,496	360,281	335,828	701,605	-	701,605
Debt defeasance	-	45,000	-	45,000	(45,000)	-
Total expenditures/expenses	763,840	3,168,784	5,125,275	9,057,899	(5,575,207)	3,482,692
Excess (Deficiency) of Revenues Over Expenditures	457,096	(279,775)	(5,124,288)	(4,946,967)	5,544,961	

Harris County Water Control and Improvement District No. 157

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended May 31, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
General obligation bonds issued	$ -	$ 10,439,875	$ 4,840,125	$ 15,280,000	$ (15,280,000)	
Discount on debt issued	-	-	(54,745)	(54,745)	54,745	
Premium on debt issued	-	60,647	-	60,647	(60,647)	
Deposit with escrow agent	-	(9,976,934)	-	(9,976,934)	9,976,934	
Total other financing sources	0	523,588	4,785,380	5,308,968	(5,308,968)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	457,096	243,813	(338,908)	362,001	(362,001)	
Change in Net Position					597,994	$ 597,994
Fund Balances/Net Position						
Beginning of year	1,021,344	3,379,188	838,977	5,239,509	-	(3,010,282)
End of year	$ 1,478,440	$ 3,623,001	$ 500,069	$ 5,601,510	$ 0	$ (2,412,288)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Harris County Water Control and Improvement District No. 157 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective February 21, 2005, in accordance with Article XVI, Section 59, of the Texas Constitution and the Texas Water Code, Chapter 51. The District operates in accordance with Chapters 49 and 51 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate drainage facilities and recreational facilities and to provide such facilities to the landowners of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred inflows of resources.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income included dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2016, include collections during the current period or within 60 days of year-end related to the 2015 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2016, the 2015 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Recreational facilities	20-40

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

The components of unrestricted net position at May 31, 2016, are as follows:

General fund, unrestricted fund balance, including deferred taxes	$	1,489,776
Amounts due from others		42,000
Long-term debt in excess of capital assets and unexpended bond proceeds		(7,213,303)
Total	$	(5,681,527)

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	56,850,112
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		39,991
Amounts due from others are not receivable in the current period and are not reported in the funds.		42,000

Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	$	7,044
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.		1,359,955
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.		(322,965)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(65,989,935)
Adjustment to fund balances to arrive at net position.	$	(8,013,798)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	$	362,001
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current period.		4,345,277
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(5,902)
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(4,028,066)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(30,246)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(45,070)
Change in net position of governmental activities.	$	597,994

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2016, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Class, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas Class.

At May 31, 2016, the District had the following investments and maturities:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Texas Class	$ 797,169	$ 797,169	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2016, the District's investments in Texas Class were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at May 31, 2016, as follows:

Carrying value:		
Deposits	$	4,833,639
Investments		797,169
Total	$	5,630,808

Included in the following statement of net position captions:

Cash	$	803,639
Certificates of deposit		4,030,000
Short-term investments		797,169
Total	$	5,630,808

Investment Income

Investment income of $13,685 for the year ended May 31, 2016, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2016, is presented below.

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	$ 39,083,496	$ 10,407,243	$ 49,490,739
Capital assets, depreciable:			
Parks and recreation	5,374,375	3,329,541	8,703,916
Less accumulated depreciation:			
Parks and recreation	(902,619)	(441,924)	(1,344,543)
Total governmental activities, net	$ 43,555,252	$ 13,294,860	$ 56,850,112

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2016, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 35,610,000	$ 15,280,000	$ 10,775,000	$ 40,115,000	$ 1,475,000
Less discounts on bonds	706,929	54,745	264,109	497,565	-
Add premiums on bonds	-	60,647	-	60,647	-
	34,903,071	15,285,902	10,510,891	39,678,082	1,475,000
Developer advances	2,129,260	-	-	2,129,260	-
Due to developer	15,233,010	13,584,551	4,634,968	24,182,593	-
Total governmental activities long-term liabilities	$ 52,265,341	$ 28,870,453	$ 15,145,859	$ 65,989,935	$ 1,475,000

General Obligation Bonds

	Series 2007	Series 2009
Amounts outstanding, May 31, 2016	$450,000	$585,000
Interest rates	4.375%	4.20% to 4.60%
Maturity dates, serially beginning/ending	September 1, 2016/2017	September 1, 2016/2018
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2016	September 1, 2017

	Series 2010	Series 2011
Amounts outstanding, May 31, 2016	$1,200,000	$4,825,000
Interest rates	3.75% to 4.10%	3.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2016/2021	September 1, 2016/2037
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2018	September 1, 2019

	Series 2012	Series 2013
Amounts outstanding, May 31, 2016	$1,305,000	$5,300,000
Interest rates	3.00% to 4.15%	3.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2016/2037	September 1, 2016/2037
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2019	September 1, 2021

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

	Series 2014	Refunding Series 2015
Amounts outstanding, May 31, 2016	$6,230,000	$4,940,000
Interest rates	2.00% to 4.00%	2.000% to 3.125%
Maturity dates, serially beginning/ending	September 1, 2016/2038	September 1, 2016/2034
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2022	September 1, 2022

	Series 2015A	Refunding Series 2016
Amounts outstanding, May 31, 2016	$5,000,000	$10,280,000
Interest rates	2.00% to 4.00%	2.00% to 3.25%
Maturity dates, serially beginning/ending	September 1, 2016/2040	September 1, 2017/2034
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2023	September 1, 2023

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

In prior years, the District defeased certain bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the unpaid defeased bonds is not included in the District's financial statements. As of May 31, 2016, the outstanding balance of the defeased debt was $4,270,000.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2016.

Year	Principal	Interest	Total
2017	$ 1,475,000	$ 1,344,255	$ 2,819,255
2018	1,605,000	1,296,184	2,901,184
2019	1,635,000	1,246,308	2,881,308
2020	1,685,000	1,197,067	2,882,067
2021	1,710,000	1,146,330	2,856,330
2022-2026	9,040,000	4,921,873	13,961,873
2027-2031	9,885,000	3,435,859	13,320,859
2032-2036	9,375,000	1,630,587	11,005,587
2037-2041	3,705,000	272,046	3,977,046
Total	$ 40,115,000	$ 16,490,509	$ 56,605,509

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

Bonds voted:	
Drainage facilities	$ 256,600,000
Recreational facilities	204,300,000
Bonds sold:	
Drainage facilities	37,050,000
Recreational facilities	5,800,000
Refunding bonds voted	460,900,000
Refunding bonds authorization used	1,405,000

The developer of the District has constructed land improvements and recreational facilities on behalf of the District. The District is maintaining these improvements and facilities and has agreed to reimburse the developer for construction costs and interest to the extent approved by the Commission from the proceeds of future bonds sales. The District's engineer estimates reimbursable costs for completed projects are $24,182,593. These amounts have been recorded in the financial statements as long-term liabilities.

Since inception, the developer has advanced $2,129,260 to the District for operations (net of repayments). The District has agreed to pay these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bonds sales.

Note 5: Significant Bond Order and Commission Requirements

A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2016, the District levied an ad valorem debt service tax at the rate of $0.3400 per $100 of assessed valuation, which resulted in a tax levy of $2,835,241 on the taxable valuation of $833,897,102 for the 2015 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $2,907,046, of which $748,370 has been paid and $2,158,676 is due September 1, 2016.

B. In accordance with the Series 2014 and 2015A Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year		$ 141,231
Additions:		
Interest appropriated from 2015A bond sale	$ 159,875	
Accrued interest received on bonds at date of sale	5,773	165,648
Deductions--Appropriation for bond interest paid:		
Series 2014	(141,231)	
Series 2015A	(66,614)	(207,845)
Bond interest reserve, end of year		$ 99,034

Note 6: Maintenance Taxes

At an election held May 7, 2005, voters authorized a general operations and maintenance tax not to exceed $1.50 per $100 valuation on all property within the District subject to taxation. During the year ended May 31, 2016, the District levied an ad valorem general operations and maintenance tax at the rate of $0.1000 per $100 of assessed valuation, which resulted in a tax levy of $833,895 on the taxable valuation of $833,897,102 for the 2015 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 7, 2005, voters authorized a recreational facilities maintenance tax not to exceed $0.10 per $100 valuation on all property within the District subject to taxation. During the year ended May 31, 2016, the District levied an ad valorem recreational facilities and maintenance tax at the rate of $0.0400 per $100 of assessed valuation, which resulted in a tax levy of $333,558 on the taxable valuation of $833,897,102 for the 2015 tax year.

Note 7: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three years.

Note 8: Contingencies

The developer of the District is constructing drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $11,530,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 9: Refunding Bonds

During the fiscal year ended May 31, 2016, the District issued $10,280,000 in unlimited tax refunding bonds at a net effective interest rate of 2.82 percent to advance-refund $5,415,000 of outstanding Series 2007 bonds, $1,230,000 of outstanding Series 2009 bonds and $2,900,000 of outstanding Series 2010 bonds. The District advance-refunded the bonds to reduce total debt service payments over future years by $1,017,684 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $779,206.

Required Supplementary Information

Harris County Water Control and Improvement District No. 157

Budgetary Comparison Schedule – General Fund

Year Ended May 31, 2016

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 892,244	$ 1,175,338	$ 283,094
Investment income	2,615	3,453	838
Other income	42,072	42,145	73
Total revenues	936,931	1,220,936	284,005
Expenditures			
Service operations:			
Regional water fee	20,000	18,542	1,458
Professional fees	185,500	154,393	31,107
Contracted services	34,500	31,173	3,327
Utilities	40,000	44,460	(4,460)
Repairs and maintenance	444,400	429,913	14,487
Other expenditures	38,953	27,478	11,475
Capital outlay	25,000	52,385	(27,385)
Debt issuance costs	-	5,496	(5,496)
Total expenditures	788,353	763,840	24,513
Excess of Revenues Over Expenditures	148,578	457,096	308,518
Fund Balance, Beginning of Year	1,021,344	1,021,344	-
Fund Balance, End of Year	$ 1,169,922	$ 1,478,440	$ 308,518

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2016.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Harris County Water Control and Improvement District No. 157
Supplementary Schedules Included Within This Report
May 31, 2016

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-27

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund - Five Years

[X] Board Members, Key Personnel and Consultants

Harris County Water Control and Improvement District No. 157
Schedule of Services and Rates
Year Ended May 31, 2016

1. Services provided by the District:

___ Retail Water	___ Wholesale Water	X Drainage
___ Retail Wastewater	___ Wholesale Wastewater	X Irrigation
X Parks/Recreation	___ Fire Protection	___ Security
___ Solid Waste/Garbage	___ Flood Control	___ Roads

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

___ Other ___

Harris County Water Control and Improvement District No. 157

Schedule of General Fund Expenditures

Year Ended May 31, 2016

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 17,200	
Legal	72,466	
Engineering	64,727	
Financial advisor	-	154,393
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		18,542
Contracted Services		
Bookkeeping	23,973	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	7,200	31,173
Utilities		44,460
Repairs and Maintenance		429,913
Administrative Expenditures		
Directors' fees	6,000	
Office supplies	4,314	
Insurance	1,779	
Other administrative expenditures	15,385	27,478
Capital Outlay		
Capitalized assets	33,000	
Expenditures not capitalized	19,385	52,385
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		5,496
Total expenditures		$ 763,840

Harris County Water Control and Improvement District No. 157

Schedule of Temporary Investments

May 31, 2016

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 1002735009	0.50%	10/16/16	$ 50,000	$ 112
No. 1002750130	0.50%	10/30/16	100,000	162
No. 100141925	0.40%	09/15/16	50,000	106
No. 9009004062	0.45%	03/10/17	100,000	57
No. 9009004066	0.45%	03/31/17	100,000	32
No. 335935	0.21%	07/01/16	50,000	69
No. 337436	0.21%	08/17/16	50,000	64
No. 353136	0.75%	02/01/17	100,000	246
No. 220005312	0.45%	04/06/17	100,000	24
No. 220006756	0.45%	09/28/16	50,000	76
No. 220006757	0.45%	08/29/16	50,000	76
No. 310185	0.50%	07/31/16	50,000	164
No. 312033	0.60%	01/28/17	100,000	202
No. 3116003065	0.35%	06/20/16	50,000	120
No. 3116003310	0.35%	10/25/16	50,000	59
No. 3116003309	0.35%	12/24/16	100,000	118
Texas Class	0.60%	Demand	66,014	-
			1,216,014	1,687
Debt Service Fund				
Certificates of Deposit				
No. 1002337235	0.50%	08/13/16	240,000	349
No. 349	0.40%	08/03/16	240,000	305
No. 100141968	0.50%	08/21/16	240,000	934
No. 9009004013	0.40%	08/03/16	240,000	305
No. 357335	0.20%	08/20/16	240,000	134
No. 531517	0.60%	08/19/16	240,000	1,124
No. 312256	0.40%	08/03/16	240,000	305
No. 13741	0.40%	08/03/16	240,000	305
No. 3216000107	0.35%	08/17/16	240,000	239
No. 9332	0.50%	08/18/16	240,000	934
No. 6000022738	0.35%	08/16/16	240,000	237
No. 7641	0.25%	08/03/16	240,000	191
Texas Class	0.60%	Demand	731,155	-
			3,611,155	5,362
Total			$ 4,827,169	$ 7,049

Harris County Water Control and Improvement District No. 157
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2016

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 7,508	$ 22,929
Additions and corrections to prior years' taxes	11,713	37,111
Adjusted receivable, beginning of year	19,221	60,040
2015 Original Tax Levy	1,023,318	2,485,200
Additions and corrections	144,135	350,041
Adjusted tax levy	1,167,453	2,835,241
Total to be accounted for	1,186,674	2,895,281
Tax collections: Current year	(1,158,346)	(2,813,123)
Prior years	(16,992)	(53,503)
Receivable, end of year	$ 11,336	$ 28,655
Receivable, by Years		
2015	$ 9,107	$ 22,118
2014	1,518	4,807
2013	459	1,179
2012	77	137
2011	51	145
2010	45	151
2009	79	118
Receivable, end of year	$ 11,336	$ 28,655

Harris County Water Control and Improvement District No. 157

Analysis of Taxes Levied and Receivable (Continued)

Year Ended May 31, 2016

	2015	2014	2013	2012
Property Valuations				
Land	$ 202,139,004	$ 168,337,006	$ 145,762,628	$ 125,850,372
Improvements	642,311,944	550,409,949	455,079,256	347,057,144
Personal property	5,415,900	4,879,502	6,019,153	2,848,487
Exemptions	(15,969,746)	(17,664,420)	(13,989,769)	(8,517,530)
Total property valuations	$ 833,897,102	$ 705,962,037	$ 592,871,268	$ 467,238,473
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.3400	$ 0.3800	$ 0.3600	$ 0.3200
Maintenance tax rates*	0.1400	0.1200	0.1400	0.1800
Total tax rates per $100 valuation	$ 0.4800	$ 0.5000	$ 0.5000	$ 0.5000
Tax Levy	$ 4,002,694	$ 3,529,803	$ 2,964,351	$ 2,336,186
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $1.50 on May 7, 2005

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

Harris County Water Control and Improvement District No. 157

Schedule of Long-term Debt Service Requirements by Years

May 31, 2016

		Series 2007		
Due During Fiscal Years Ending May 31		Principal Due September 1	Interest Due September 1, March 1	Total
2017		$ 220,000	$ 14,875	$ 234,875
2018		230,000	5,031	235,031
	Totals	$ 450,000	$ 19,906	$ 469,906

Harris County Water Control and Improvement District No. 157
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

Due During Fiscal Years Ending May 31		Series 2009 Principal Due September 1	Series 2009 Interest Due September 1, March 1	Series 2009 Total
2017		$ 185,000	$ 21,895	$ 206,895
2018		195,000	13,720	208,720
2019		205,000	4,715	209,715
	Totals	$ 585,000	$ 40,330	$ 625,330

Harris County Water Control and Improvement District No. 157

Schedule of Long-term Debt Service Requirements by Years (Continued)

May 31, 2016

		Series 2010		
Due During Fiscal Years Ending May 31		**Principal Due September 1**	**Interest Due September 1, March 1**	**Total**
2017		$ 200,000	$ 43,650	$ 243,650
2018		200,000	36,050	236,050
2019		200,000	28,300	228,300
2020		200,000	20,400	220,400
2021		200,000	12,300	212,300
2022		200,000	4,100	204,100
	Totals	$ 1,200,000	$ 144,800	$ 1,344,800

Harris County Water Control and Improvement District No. 157
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

		Series 2011		
Due During Fiscal Years Ending May 31		Principal Due September 1	Interest Due September 1, March 1	Total
2017		$ 110,000	$ 221,596	$ 331,596
2018		115,000	218,221	333,221
2019		120,000	214,456	334,456
2020		130,000	209,979	339,979
2021		140,000	204,741	344,741
2022		145,000	198,933	343,933
2023		155,000	192,669	347,669
2024		165,000	185,866	350,866
2025		175,000	178,469	353,469
2026		185,000	170,456	355,456
2027		200,000	161,794	361,794
2028		210,000	152,438	362,438
2029		225,000	142,238	367,238
2030		235,000	131,166	366,166
2031		250,000	119,344	369,344
2032		270,000	106,500	376,500
2033		285,000	92,625	377,625
2034		300,000	78,000	378,000
2035		320,000	62,500	382,500
2036		340,000	46,000	386,000
2037		365,000	28,375	393,375
2038		385,000	9,625	394,625
	Totals	$ 4,825,000	$ 3,125,991	$ 7,950,991

Harris County Water Control and Improvement District No. 157
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

	Series 2012		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 30,000	$ 49,988	$ 79,988
2018	35,000	49,013	84,013
2019	35,000	47,962	82,962
2020	40,000	46,838	86,838
2021	40,000	45,638	85,638
2022	40,000	44,387	84,387
2023	45,000	42,950	87,950
2024	45,000	41,319	86,319
2025	50,000	39,475	89,475
2026	50,000	37,475	87,475
2027	55,000	35,375	90,375
2028	55,000	33,175	88,175
2029	60,000	30,875	90,875
2030	65,000	28,375	93,375
2031	65,000	25,775	90,775
2032	70,000	23,075	93,075
2033	75,000	20,175	95,175
2034	80,000	17,015	97,015
2035	85,000	13,591	98,591
2036	90,000	9,960	99,960
2037	95,000	6,121	101,121
2038	100,000	2,075	102,075
Totals	$ 1,305,000	$ 690,632	$ 1,995,632

Harris County Water Control and Improvement District No. 157
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

	Series 2013		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 250,000	$ 210,813	$ 460,813
2018	250,000	203,312	453,312
2019	250,000	195,813	445,813
2020	250,000	188,312	438,312
2021	250,000	180,813	430,813
2022	250,000	173,312	423,312
2023	250,000	165,500	415,500
2024	250,000	157,063	407,063
2025	250,000	148,000	398,000
2026	250,000	138,312	388,312
2027	250,000	128,063	378,063
2028	250,000	117,500	367,500
2029	250,000	106,562	356,562
2030	250,000	95,156	345,156
2031	250,000	83,438	333,438
2032	250,000	71,250	321,250
2033	250,000	58,750	308,750
2034	200,000	47,500	247,500
2035	200,000	37,500	237,500
2036	250,000	26,250	276,250
2037	200,000	15,000	215,000
2038	200,000	5,000	205,000
Totals	$ 5,300,000	$ 2,553,219	$ 7,853,219

Harris County Water Control and Improvement District No. 157

Schedule of Long-term Debt Service Requirements by Years (Continued)

May 31, 2016

	Series 2014		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 275,000	$ 194,413	$ 469,413
2018	275,000	188,912	463,912
2019	275,000	183,412	458,412
2020	275,000	177,913	452,913
2021	270,000	171,113	441,113
2022	270,000	163,013	433,013
2023	270,000	154,912	424,912
2024	270,000	146,812	416,812
2025	270,000	138,713	408,713
2026	270,000	130,612	400,612
2027	270,000	122,513	392,513
2028	270,000	114,075	384,075
2029	270,000	105,300	375,300
2030	270,000	96,187	366,187
2031	270,000	86,737	356,737
2032	270,000	77,288	347,288
2033	270,000	67,669	337,669
2034	270,000	57,712	327,712
2035	270,000	47,588	317,588
2036	270,000	37,462	307,462
2037	270,000	27,000	297,000
2038	270,000	16,200	286,200
2039	270,000	5,400	275,400
Totals	$ 6,230,000	$ 2,510,956	$ 8,740,956

Harris County Water Control and Improvement District No. 157

Schedule of Long-term Debt Service Requirements by Years (Continued)

May 31, 2016

	Refunding Series 2015		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 55,000	$ 145,300	$ 200,300
2018	55,000	144,200	199,200
2019	55,000	143,100	198,100
2020	60,000	141,950	201,950
2021	60,000	140,750	200,750
2022	60,000	139,550	199,550
2023	60,000	138,350	198,350
2024	65,000	136,775	201,775
2025	350,000	130,550	480,550
2026	360,000	119,900	479,900
2027	375,000	108,875	483,875
2028	380,000	97,550	477,550
2029	395,000	85,925	480,925
2030	405,000	73,925	478,925
2031	415,000	61,625	476,625
2032	430,000	48,950	478,950
2033	440,000	35,625	475,625
2034	455,000	21,641	476,641
2035	465,000	7,265	472,265
Totals	$ 4,940,000	$ 1,921,806	$ 6,861,806

Harris County Water Control and Improvement District No. 157
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

	Series 2015A		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 150,000	$ 158,375	$ 308,375
2018	150,000	155,375	305,375
2019	150,000	152,375	302,375
2020	150,000	149,375	299,375
2021	150,000	146,375	296,375
2022	150,000	142,625	292,625
2023	150,000	138,125	288,125
2024	150,000	133,625	283,625
2025	150,000	129,125	279,125
2026	150,000	124,625	274,625
2027	150,000	120,125	270,125
2028	150,000	115,625	265,625
2029	150,000	111,125	261,125
2030	150,000	106,625	256,625
2031	150,000	102,125	252,125
2032	150,000	97,531	247,531
2033	150,000	92,844	242,844
2034	300,000	85,625	385,625
2035	300,000	75,875	375,875
2036	300,000	65,750	365,750
2037	300,000	55,250	355,250
2038	300,000	44,000	344,000
2039	300,000	32,000	332,000
2040	325,000	19,500	344,500
2041	325,000	6,500	331,500
Totals	$ 5,000,000	$ 2,560,500	$ 7,560,500

Harris County Water Control and Improvement District No. 157
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

	Refunding Series 2016		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ -	$ 283,350	$ 283,350
2018	100,000	282,350	382,350
2019	345,000	276,175	621,175
2020	580,000	262,300	842,300
2021	600,000	244,600	844,600
2022	625,000	226,225	851,225
2023	850,000	204,100	1,054,100
2024	870,000	182,650	1,052,650
2025	595,000	168,000	763,000
2026	600,000	155,300	755,300
2027	605,000	140,988	745,988
2028	615,000	125,354	740,354
2029	630,000	108,619	738,619
2030	640,000	90,356	730,356
2031	655,000	70,931	725,931
2032	670,000	51,056	721,056
2033	685,000	30,303	715,303
2034	310,000	14,756	324,756
2035	305,000	4,956	309,956
Totals	$ 10,280,000	$ 2,922,369	$ 13,202,369

Harris County Water Control and Improvement District No. 157

Schedule of Long-term Debt Service Requirements by Years (Continued)

May 31, 2016

Due During Fiscal Years Ending May 31	Annual Requirements for All Series: Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	$ 1,475,000	$ 1,344,255	$ 2,819,255
2018	1,605,000	1,296,184	2,901,184
2019	1,635,000	1,246,308	2,881,308
2020	1,685,000	1,197,067	2,882,067
2021	1,710,000	1,146,330	2,856,330
2022	1,740,000	1,092,145	2,832,145
2023	1,780,000	1,036,606	2,816,606
2024	1,815,000	984,110	2,799,110
2025	1,840,000	932,332	2,772,332
2026	1,865,000	876,680	2,741,680
2027	1,905,000	817,733	2,722,733
2028	1,930,000	755,717	2,685,717
2029	1,980,000	690,644	2,670,644
2030	2,015,000	621,790	2,636,790
2031	2,055,000	549,975	2,604,975
2032	2,110,000	475,650	2,585,650
2033	2,155,000	397,991	2,552,991
2034	1,915,000	322,249	2,237,249
2035	1,945,000	249,275	2,194,275
2036	1,250,000	185,422	1,435,422
2037	1,230,000	131,746	1,361,746
2038	1,255,000	76,900	1,331,900
2039	570,000	37,400	607,400
2040	325,000	19,500	344,500
2041	325,000	6,500	331,500
Totals	$ 40,115,000	$ 16,490,509	$ 56,605,509

Harris County Water Control and Improvement District No. 157

Changes in Long-term Bonded Debt

Year Ended May 31, 2016

	Bond			
	Series 2007	Series 2009	Series 2010	Series 2011
Interest rates	4.375%	4.20% to 4.60%	3.75% to 4.10%	3.00% to 5.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2016/2017	September 1, 2016/2018	September 1, 2016/2021	September 1, 2016/2037
Bonds outstanding, beginning of current year	$ 6,070,000	$ 1,990,000	$ 4,300,000	$ 4,925,000
Bonds sold during current year	-	-	-	-
Principal refunded	5,415,000	1,230,000	2,900,000	-
Retirements, principal	205,000	175,000	200,000	100,000
Bonds outstanding, end of current year	$ 450,000	$ 585,000	$ 1,200,000	$ 4,825,000
Interest paid during current year	$ 264,372	$ 91,215	$ 190,200	$ 224,746

Paying agent's name and address:

Series 2007 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2009 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2010 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2011 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2012 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2013 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2015 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2015A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	Tax Bonds	Recreational Bonds	Refunding Bonds
Amount authorized by voters	$ 256,600,000	$ 204,300,000	$ 460,900,000
Amount issued	$ 37,050,000	$ 5,800,000	$ 1,405,000
Remaining to be issued	$ 219,550,000	$ 198,500,000	$ 459,495,000

Debt service fund cash and temporary investment balances as of May 31, 2016:	$ 3,694,506
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 2,264,220

Issues

Series 2012	Series 2013	Series 2014	Refunding Series 2015	Series 2015A	Refunding Series 2016	Totals
3.00% to 4.15%	3.00% to 5.00%	2.00% to 4.00%	2.000% to 3.125%	2.00% to 4.00%	2.00% to 3.25%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2016/2037	September 1, 2016/2037	September 1, 2016/2038	September 1, 2016/2034	September 1, 2016/2040	September 1, 2017/2034	
$ 1,335,000	$ 5,550,000	$ 6,500,000	$ 4,940,000	$ -	$ -	$ 35,610,000
-	-	-	-	5,000,000	10,280,000	15,280,000
-	-	-	-	-	-	9,545,000
30,000	250,000	270,000	-	-	-	1,230,000
$ 1,305,000	$ 5,300,000	$ 6,230,000	$ 4,940,000	$ 5,000,000	$ 10,280,000	$ 40,115,000
$ 50,887	$ 218,312	$ 199,863	$ 133,696	$ 66,615	$ 0	$ 1,439,906

Harris County Water Control and Improvement District No. 157

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended May 31,

	Amounts				
	2016	2015	2014	2013	2012
General Fund					
Revenues					
Property taxes	$ 1,175,338	$ 844,342	$ 834,999	$ 831,452	$ 499,925
Penalty and interest	-	7	-	-	-
Investment income	3,453	2,505	1,974	459	194
Other income	42,145	42,051	42,047	141,000	-
Total revenues	1,220,936	888,905	879,020	972,911	500,119
Expenditures					
Service operations:					
Regional water fee	18,542	-	29,039	93,689	725,685
Professional fees	154,393	148,451	163,998	143,324	159,866
Contracted services	31,173	27,762	25,304	23,923	25,321
Utilities	44,460	27,067	42,884	57,503	105,485
Repairs and maintenance	429,913	474,637	452,137	445,029	431,010
Other expenditures	27,478	34,338	46,595	33,949	27,620
Capital outlay	52,385	19,850	-	-	-
Debt issuance costs	5,496	-	-	-	-
Total expenditures	763,840	732,105	759,957	797,417	1,474,987
Excess (Deficiency) of Revenues Over Expenditures	457,096	156,800	119,063	175,494	(974,868)
Other Financing Sources					
Developer advances received	-	-	-	252,000	1,253,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	457,096	156,800	119,063	427,494	278,132
Fund Balance, Beginning of Year	1,021,344	864,544	745,481	317,987	39,855
Fund Balance, End of Year	$ 1,478,440	$ 1,021,344	$ 864,544	$ 745,481	$ 317,987
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

Percent of Fund Total Revenues				
2016	2015	2014	2013	2012
96.3 %	95.0 %	95.0 %	85.4 %	99.9 %
-	0.0	-	-	-
0.3	0.3	0.2	0.1	0.1
3.4	4.7	4.8	14.5	-
100.0	100.0	100.0	100.0	100.0
1.5	-	3.3	9.6	145.1
12.6	16.7	18.7	14.7	32.0
2.6	3.1	2.9	2.5	5.1
3.6	3.0	4.9	5.9	21.1
35.2	53.4	51.4	45.7	86.2
2.3	3.9	5.3	3.5	5.5
4.3	2.2	-	-	-
0.5	-	-	-	-
62.6	82.3	86.5	81.9	295.0
37.4 %	17.7 %	13.5 %	18.1 %	(195.0) %

Harris County Water Control and Improvement District No. 157

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended May 31,

	Amounts				
	2016	2015	2014	2013	2012
Debt Service Fund					
Revenues					
Property taxes	$ 2,866,626	$ 2,671,686	$ 2,140,167	$ 1,482,828	$ 1,423,933
Penalty and interest	13,126	10,958	7,910	24,789	11,031
Investment income	9,245	7,189	6,708	10,271	14,161
Other income	12	15	17	-	-
Total revenues	2,889,009	2,689,848	2,154,802	1,517,888	1,449,125
Expenditures					
Current:					
Professional fees	1,756	685	4,716	1,763	3,487
Contracted services	84,818	68,920	61,363	48,944	48,819
Other expenditures	15,459	13,250	12,666	10,669	10,718
Debt service:					
Principal retirement	1,230,000	935,000	655,000	525,000	505,000
Interest and fees	1,431,470	1,390,963	1,177,420	1,142,962	965,164
Debt issuance costs	360,281	180,720	-	-	-
Debt defeasance	45,000	77,000	-	-	-
Total expenditures	3,168,784	2,666,538	1,911,165	1,729,338	1,533,188
Excess (Deficiency) of Revenues Over Expenditures	(279,775)	23,310	243,637	(211,450)	(84,063)
Other Financing Sources (Uses)					
General obligation bonds issued	10,439,875	5,142,562	229,562	52,988	231,796
Discount on debt issued	-	(27,305)	-	-	-
Premium on debt issued	60,647	-	-	-	-
Deposit with escrow agent	(9,976,934)	(4,731,975)	-	-	-
Total other financing sources	523,588	383,282	229,562	52,988	231,796
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	243,813	406,592	473,199	(158,462)	147,733
Fund Balance, Beginning of Year	3,379,188	2,972,596	2,499,397	2,657,859	2,510,126
Fund Balance, End of Year	$ 3,623,001	$ 3,379,188	$ 2,972,596	$ 2,499,397	$ 2,657,859

Percent of Fund Total Revenues				
2016	2015	2014	2013	2012
99.2 %	99.3 %	99.3 %	97.7 %	98.3 %
0.5	0.4	0.4	1.6	0.7
0.3	0.3	0.3	0.7	1.0
0.0	0.0	0.0	-	-
100.0	100.0	100.0	100.0	100.0
0.1	0.0	0.2	0.1	0.2
2.9	2.6	2.9	3.2	3.4
0.5	0.5	0.6	0.7	0.7
42.6	34.8	30.4	34.6	34.9
49.5	51.7	54.6	75.3	66.6
12.5	6.7	-	-	-
1.6	2.8	-	-	-
109.7	99.1	88.7	113.9	105.8
(9.7) %	0.9 %	11.3 %	(13.9) %	(5.8) %

Harris County Water Control and Improvement District No. 157
Board Members, Key Personnel and Consultants
Year Ended May 31, 2016

Complete District mailing address:	Harris County Water Control and Improvement District No. 157 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 16, 2016
Limit on fees of office that a director may receive during a fiscal year:	$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Keith Nystrom	Appointed 05/16-05/18	$ 150	$ 0	President
Shane Bueno	Elected 05/16-05/20	150	0	Vice President
David Redburn	Elected 05/16-05/20	150	0	Secretary
Chris Gilbert	Elected 05/14-05/18	1,350	150	Assistant Secretary
James Motejzik	Elected 05/16-05/20	0	0	Assistant Secretary

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

Harris County Water Control and Improvement District No. 157

Board Members, Key Personnel and Consultants (Continued)

Year Ended May 31, 2016

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Jeff Partin	Elected 05/12-05/16	$ 1,050	$ 0	Term Ended
Robert Brandt	Elected 05/12-05/16	1,350	0	Term Ended
Maria Norris	Appointed 05/14-05/16	1,650	0	Term Ended
Ellen Buckman	Elected 05/14-05/16	150	120	Resigned

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

Harris County Water Control and Improvement District No. 157

Board Members, Key Personnel and Consultants (Continued)

Year Ended May 31, 2016

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	05/10/07	$ 24,200	Auditor
BGE, Inc.	04/14/05	111,517	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	04/14/05	207,734	Financial Advisor
Harris County Appraisal District	Legislative Action	31,301	Appraiser
Municipal Accounts & Consulting, L.P.	03/03/05	31,225	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/09/06	1,756	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	03/03/05	100,782 218,952	Attorney Bond Counsel
Severn Trent Services	03/08/07	110,438	Operator
Wheeler & Associates, Inc.	03/03/05	71,815	Tax Assessor/ Collector

Investment Officers			
Mark M. Burton and Ghia Lewis	07/14/05	N/A	Bookkeepers