OFFICIAL STATEMENT DATED JANUARY 11, 2017

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 419. IN THE OPINION OF SPECIAL TAX COUNSEL, 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 OPINIONS OF BOND COUNSEL AND SPECIAL TAX 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 "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."*

NEW ISSUE-BOOK-ENTRY-ONLY

Insured Ratings (AGM): S&P "AA" (stable outlook)
Moody's "A2" (stable outlook)
Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,230,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 419

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

UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2017

Dated: February 1, 2017 **Due: September 1, as shown below**

The $4,230,000 Unlimited Tax Road Refunding Bonds, Series 2017 (the "Bonds") are being issued by Harris County Municipal Utility District No. 419 (the "District"). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from February 1, 2017, and is payable on September 1, 2017. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 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., 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."

ASSURED GUARANTY MUNICIPAL

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer").

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity September 1	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 90,000	2017	41421DUQ7	2.00 %	1.00 %	$ 260,000	2025 (a)	41421DUY0	4.00 %	2.65 %
15,000	2018	41421DUR5	2.00	1.70	265,000	2026 (a)	41421DUZ7	4.00	2.80
20,000	2019	41421DUS3	3.00	2.00	280,000	2027 (a)	41421DVA1	4.00	2.90
20,000	2020	41421DUT1	3.00	2.15	290,000	2028 (a)	41421DVB9	4.00	2.98
20,000	2021	41421DUU8	3.00	2.30	310,000	2029 (a)	41421DVC7	4.00	3.07
20,000	2022	41421DUV6	3.00	2.40	320,000	2030 (a)	41421DVD5	4.00	3.16
235,000	2023	41421DUW4	4.00	2.40	340,000	2031 (a)	41421DVE3	4.00	3.23
245,000	2024	41421DUX2	4.00	2.55					

$715,000 Term Bonds due September 1, 2033 (a), 41421DVF0 (b), 4.00% Interest Rate, 3.35% Initial Reoffering Yield (c)
$785,000 Term Bonds due September 1, 2035 (a), 41421DVG8 (b), 4.00% Interest Rate, 3.46% Initial Reoffering Yield (c)

(a) Bonds maturing on or after September 1, 2025, 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, 2024, 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. The Term Bonds are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and have been included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) 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 and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 15, 2017.

BAIRD

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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 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."

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

[*The Remainder of This Page is Intentionally Left Blank*]

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by Robert W. Baird & Co. Incorporated (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $4,443,237.15 (representing the principal amount of the Bonds of $4,230,000.00 plus a premium of $248,908.95, less an Underwriter's discount of $35,671.80), plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at yields lower than the public offering yield stated on the cover page hereof. The initial offering yield may be changed at any time by the Underwriter.

The Underwriter has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 therein.

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 54 of the Texas Water Code, as amended. The District currently includes within its boundaries approximately 1,761 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 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."

Bridgeland… The District is part of the master-planned community of Bridgeland, currently consisting of the District, three water control and improvement districts, six other municipal utility districts, and additional land 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. 489 ("MUD 489"), and the District are within the boundaries of Harris County Water Control and Improvement District No. 157 ("WCID 157"). All of the residential development described herein is occurring within the District. The development of Bridgeland is planned by the Developer (defined below) to ultimately encompass approximately 11,400 acres. The Bridgeland Management District 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 November 14, 2016, 2,459 homes were complete (2,452 occupied), 234 homes were under construction or in the name of the builder, and 371 lots were available for home construction or in the name of a builder. 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 by January 2017. Additionally, Parklane Cypress Apartments, a 288-unit apartment community on approximately 17 acres, is under construction and is expected to be ready for occupancy in spring of 2017.

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 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 professional office buildings totaling approximately 21,600 square feet have been recently developed on approximately 9 acres where a Marble Slab Creamery, a dentist office and a nail salon have been opened in the retail strip centers and a Re/Max real estate, physical therapy center and endodontics dentist office have opened in the professional office buildings.

The remainder of the District is comprised of approximately 633 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 36 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 17 acres under construction for multi-family development). 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 Facilities… The District has constructed internal water, sewer and drainage facilities within its boundaries. 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 DRAINAGE."

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 and various nature observation areas. See "THE BONDS—Financing Recreational Facilities" and "PARK AND RECREATIONAL FACILITIES."

Roads… The District has constructed a road system (the "Roads") to serve the residents of the District by providing access to the major thoroughfares within Bridgeland and the surrounding area. See "ROADS."

Storm Drainage… WCID 157 provides amenity/detention facilities and major drainage and channel improvements to serve the land within its boundaries, including the District. See "MAJOR CHANNEL AND DETENTION IMPROVEMENTS."

Overlapping Debt Obligations… The land within the District is subject to taxation by WCID 157. WCID 157 has adopted a 2016 tax rate in the amount of \$0.465 per \$100 of taxable assessed valuation, comprised of \$0.35 for debt service and \$0.115 for maintenance. WCID 157 has previously issued a total of \$43,640,000 in aggregate principal amount of bonds payable from ad valorem taxes that remain outstanding as of the date hereof. The District's 2016 tax rate, in combination with the 2016 tax rate of WCID 157, is \$1.405 per \$100 of taxable assessed valuation. See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."

Payment Record... The District has previously issued (a) nine series of unlimited tax bonds in the aggregate initial principal amount of \$83,195,000 for the purpose of acquiring or constructing water, sewer and drainage facilities, (b) two series of unlimited tax park bonds in the aggregate initial principal amount of \$6,085,000 for the purpose of acquiring or constructing parks and recreational facilities, (c) five series of unlimited tax road bonds in the aggregate initial principal amount \$28,245,000 for the purpose of acquiring or constructing road facilities, and (d) two series of unlimited tax refunding bonds in the aggregate initial principal amount \$25,760,000 (collectively, the "Previously Issued Bonds"), of which a total of \$107,945,000 in aggregate principal amount remain outstanding as of the date hereof, (the "Outstanding Bonds"). The District has not defaulted on any debt service payments related to its previously issued debt. See "PLAN OF FINANCING—Outstanding Bonds."

THE BONDS

Description...	The $4,230,000 Unlimited Tax Road Refunding Bonds, Series 2017 (the "Bonds") are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on September 1 in each of the years 2017 through 2031, both inclusive, and as term bonds on September 1 in each of the years 2033 and 2035 (the "Term Bonds") in the principal amounts and paying interest at the rates shown on the cover page hereof. 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 accrues from February 1, 2017, and is payable on September 1, 2017, and on each March 1 and September 1 thereafter, until the earlier of 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, 2025, 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, 2024, 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. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
Use of Proceeds...	Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to advance refund and defease $3,955,000 in principal amount of the Outstanding Bonds in order to reduce the District's annual debt service expense and result in net present value savings. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." After the issuance of the Bonds, $103,990,000 principal amount of the Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "PLAN OF FINANCING."
Authority for Issuance...	The Bonds are the third series of bonds issued out of an aggregate of $269,180,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended, elections held within the District, the Bond Order and City of Houston Ordinance No. 97-416. See "THE BONDS—Authority for Issuance," "—Financing Road Facilities" and "INVESTMENT CONSIDERATIONS—Future Debt."
Source of Payment...	Principal of and interest on the Bonds and the Remaining 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" and "—Funds."
Municipal Bond Rating and Municipal Bond Insurance...	It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service ("Moody's") will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). In addition, Moody's has assigned an underlying rating of "A2" to the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX C."
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 "TAX 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."

Special Tax Counsel...	McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See "TAX MATTERS."
Underwriter's 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."
Escrow Agent...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreement" and "—Defeasance of Refunded Bonds."
Verification Agent...	Grant Thornton LLP, Minneapolis Minnesota. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

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."

[*The Remainder of This Page is Intentionally Left Blank*]

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2016 Taxable Assessed Valuation	$905,439,010	(a)
Estimated Taxable Assessed Valuation as of July 1, 2016	$988,180,484	(b)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	$108,220,000	(c)
Estimated Overlapping Debt	93,516,653	(d)
Gross Direct Debt and Estimated Overlapping Debt	$201,736,653	
Ratios of Gross Direct Debt to:		
2016 Taxable Assessed Valuation	11.95%	
Estimated Taxable Assessed Valuation as of July 1, 2016	10.95%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Taxable Assessed Valuation	22.28%	
Estimated Taxable Assessed Valuation as of July 1, 2016	20.42%	
Funds Available for Debt Service as of January 9, 2017	$4,490,565	(e)
Funds Available for Operations and Maintenance as of January 9, 2017	$2,943,013	
Funds Available for Construction as of January 9, 2017	$1,872,494	(f)
2016 Debt Service Tax Rate	$0.80	(g)
2016 Maintenance Tax Rate	0.14	
2016 Total Tax Rate	$0.94	
Average Annual Debt Service Requirement (2017-2041)	$6,161,587	(h)
Maximum Annual Debt Service Requirement (2018)	$7,896,481	(h)
Tax Rate Required to Pay Average Annual Debt Service (2017-2041) at a 95% Collection Rate		
2016 Taxable Assessed Valuation	$0.72	(i)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2016	$0.66	(i)
Tax Rate Required to Pay Maximum Annual Debt Service (2018) at a 95% Collection Rate		
2016 Taxable Assessed Valuation	$0.92	(i)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2016	$0.85	(i)
Status of Development as of November 14, 2016 (j):		
Completed homes (2,452 occupied)	2,459	
Homes under construction or in the name of the builder	234	
Lots available for construction or in the name of a builder	371	
Lots under construction	138	
Estimated population	8,582	(k)

(a) The 2016 Taxable Assessed Valuation shown herein includes $837,026,893 of certified value and $68,412,117 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 taxable 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) After the issuance of the Bonds. See "PLAN OF FINANCING—Outstanding Bonds."

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

(e) Of such balance, $3,628,104 is allocated to pay debt service on Road Bonds (hereinafter defined) and $862,461 is allocated to pay debt service on WSD&R Bonds (hereinafter defined).

(f) 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 WSD&R Bonds. Of such amount, $1,518,354 and $189,738 may be used to finance water, sewer and drainage facilities and park and recreational facilities, respectively, with the approval of the TCEQ, and $164,402 may be used to finance road facilities.

(g) Of such 2016 debt service tax rate, $0.60 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater, and drainage facilities, and park and recreational facilities or to refund such bonds ("WSD&R Bonds") and $0.20 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for road facilities or to refund such bonds ("Road Bonds").

(h) See "PLAN OF FINANCING—Debt Service Requirements."

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

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

(k) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 419

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

$4,230,000
UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2017

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 419 (the "District") of its $4,230,000 Unlimited Tax Road Refunding Bonds, Series 2017 (the "Bonds").

The Bonds are issued by the District pursuant to elections held within the District on May 7, 2005, November 7, 2006 and May 10, 2008, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended;; and Chapters 49 and 54 of the Texas Water Code, as amended, and City of Houston Ordinance No. 97-416.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Bridgeland Development, L.P., 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.

PLAN OF FINANCING

Purpose

At elections held within the District on May 7, 2005, November 7, 2006 and May 10, 2008, voters of the District authorized the issuance of a total of $269,180,000 in principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds of the District. The District has previously issued $143,285,000 principal amount of unlimited tax bonds in eighteen series (the "Previously Issued Bonds") of which $107,945,000 principal amount currently remains outstanding (the "Outstanding Bonds"). See "THE BONDS—Issuance of Additional Debt."

The proceeds of the Bonds are being used to advance refund and defease a portion of the District's Unlimited Tax Road Bonds, Series 2010, totaling $3,955,000 in principal amount (referred to herein as the "Refunded Bonds") in order to reduce the District's debt service expense and result in net present value savings. Such proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds" in this section. A total of $103,990,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

[*The Remainder of This Page is Intentionally Left Blank*]

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balances of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series		Original Principal Amount	Outstanding Bonds (As of 12/14/2016)	Refunded Bonds	Remaining Outstanding Bonds
2007		$ 6,880,000	$ 220,000	$ -	$ 220,000
2008		8,955,000	505,000	-	505,000
2009		4,090,000	500,000	-	500,000
2010	(a)	5,765,000	5,010,000	3,955,000	1,055,000
2010		11,200,000	1,635,000	-	1,635,000
2011		13,000,000	10,920,000	-	10,920,000
2012		3,570,000	3,285,000	-	3,285,000
2012A	(b)	2,860,000	2,420,000	-	2,420,000
2012	(a)	10,300,000	8,800,000	-	8,800,000
2014	(b)	3,225,000	2,860,000	-	2,860,000
2014A		8,500,000	7,820,000	-	7,820,000
2014	(a)	5,370,000	4,945,000	-	4,945,000
2015	(c)	5,175,000	5,125,000	-	5,125,000
2015A		9,000,000	8,800,000	-	8,800,000
2015	(a)	4,160,000	3,950,000	-	3,950,000
2016	(c)	20,585,000	20,500,000		20,500,000
2016A		18,000,000	18,000,000	-	18,000,000
2016	(a)	2,650,000	2,650,000	-	2,650,000
Total		$ 143,285,000	$ 107,945,000	$ 3,955,000	$ 103,990,000
		The Bonds			4,230,000
		The Bonds and Remaining Outstanding Bonds			$ 108,220,000

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

Refunded Bonds

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

Maturity or Mandatory Redemption Date Sept. 1	Series 2010 Principal Amount
2023	$ 215,000
2024	225,000
2025	240,000
2026	250,000
2027	265,000
2028	280,000
2029	300,000
2030	315,000
2031	335,000
2032	350,000
2033	370,000
2034	395,000
2035	415,000
	$ 3,955,000
Redemption Date:	September 1, 2018

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

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$4,230,000.00
Plus: Premium on the Bonds	248,908.95
Total Sources of Funds	$4,478,908.95
Uses of Funds:	
Deposit to Escrow Fund	$4,302,599.98
Issuance Expenses and Underwriter's Discount (a)	176,308.97
Total Uses of Funds	$4,478,908.95

(a) Includes municipal bond insurance premium.

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds and Escrowed Securities (as defined below) to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be February 15, 2017). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and a portion of such funds will be used to purchase United States Treasury Obligations (the "Escrowed Securities") maturing at such times and amounts as will be sufficient to pay scheduled interest payments on the Refunded Bonds on their due dates and to redeem the Refunded Bonds on their redemption dates. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Defeasance of the Refunded Bonds

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit and in reliance upon the verification report described under "VERIFICATION OF MATHEMATICAL COMPUTATIONS," firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

[*The Remainder of This Page is Intentionally Left Blank*]

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($3,955,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Refunded Bonds Debt Service	Plus: Debt Service on the Bonds			Debt Service Requirements
			Principal	Interest	Total	
2017	$ 7,836,384.17	$ 205,333.76	$ 90,000	$ 97,008.33	$ 187,008.33	$ 7,818,058.74
2018	7,922,315.00	205,333.76	15,000	164,500.00	179,500.00	7,896,481.24
2019	7,911,675.00	205,333.76	20,000	164,200.00	184,200.00	7,890,541.24
2020	7,838,605.00	205,333.76	20,000	163,600.00	183,600.00	7,816,871.24
2021	7,771,857.50	205,333.76	20,000	163,000.00	183,000.00	7,749,523.74
2022	7,704,250.00	205,333.76	20,000	162,400.00	182,400.00	7,681,316.24
2023	7,638,060.00	420,333.76	235,000	161,800.00	396,800.00	7,614,526.24
2024	7,566,295.00	420,443.76	245,000	152,400.00	397,400.00	7,543,251.24
2025	7,487,915.00	424,193.76	260,000	142,600.00	402,600.00	7,466,321.24
2026	7,390,172.50	422,193.76	265,000	132,200.00	397,200.00	7,365,178.74
2027	7,305,567.50	424,693.76	280,000	121,600.00	401,600.00	7,282,473.74
2028	7,221,033.75	426,112.50	290,000	110,400.00	400,400.00	7,195,321.25
2029	7,142,797.50	431,762.50	310,000	98,800.00	408,800.00	7,119,835.00
2030	7,040,330.00	431,387.50	320,000	86,400.00	406,400.00	7,015,342.50
2031	6,953,003.75	435,243.76	340,000	73,600.00	413,600.00	6,931,359.99
2032	6,854,326.25	432,237.50	350,000	60,000.00	410,000.00	6,832,088.75
2033	6,284,448.75	433,425.00	365,000	46,000.00	411,000.00	6,262,023.75
2034	6,186,478.75	438,537.50	385,000	31,400.00	416,400.00	6,164,341.25
2035	5,347,246.25	437,306.26	400,000	16,000.00	416,000.00	5,325,939.99
2036	4,033,623.75	-	-	-	-	4,033,623.75
2037	3,937,463.75	-	-	-	-	3,937,463.75
2038	3,293,985.00	-	-	-	-	3,293,985.00
2039	2,345,850.00	-	-	-	-	2,345,850.00
2040	1,747,950.00	-	-	-	-	1,747,950.00
2041	1,710,000.00	-	-	-	-	1,710,000.00
	$ 154,471,634.17	$ 6,809,873.88	$ 4,230,000	$ 2,147,908.33	$ 6,377,908.33	$ 154,039,668.62

Maximum Annual Debt Service Requirement (2018).. $7,896,481
Average Annual Debt Service Requirement (2017-2041)... $6,161,587

[*The Remainder of This Page is Intentionally Left Blank*]

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 February 1, 2017, with interest payable on September 1, 2017, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from February 1, 2017, 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 initially 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. 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, November 7, 2006 and May 10, 2008, voters of the District authorized a total of $269,180,000 in principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to the election held on May 7, 2005, the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended;; and Chapters 49 and 54 of the Texas Water Code, as amended, and City of Houston Ordinance No. 97-416

Source and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds 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 prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sewer and drainage facilities, and recreational facilities or to refund such bonds ("WSD&R Bonds") from funds received to pay debt service on bonds issued to finance road facilities or to refund such bonds ("Road Bonds"). Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of Road Bonds.

The proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Remaining 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 funds in the sub-account created in respect of Road Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-account of the Debt Service Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of WSD&R Bonds, will not be allocated to the payment of the Bonds.

Record Date

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

Redemption Provisions

Mandatory Redemption: The Term Bonds maturing on September 1 in each of the years 2033 and 2035, shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$715,000 Term Bonds Due September 1, 2033		$785,000 Term Bonds Due September 1, 2035	
Year	**Principal**	**Year**	**Principal**
2032	$ 350,000	2034	$ 385,000
2033 (maturity)	365,000	2035 (maturity)	400,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2024, 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.

Effects of Redemption: By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term 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's voters have authorized the issuance of a total of $269,180,000 in principal amount of unlimited tax bonds for refunding outstanding bonds of the District. After issuance of the Bonds, $266,370,000 in principal amount of unlimited tax refunding bonds will remain authorized but unissued. The District's voters have also authorized the issuance of a total of $37,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities, a total of $211,320,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, and a total of $20,360,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities, of which $9,255,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities, $128,125,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, and $14,275,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities remains authorized but unissued. The District's voters could authorize additional unlimited tax bonds for water, sewer, and drainage facilities, road facilities, and recreational facilities, and for refunding outstanding bonds of the District. See "—Financing Water, Sewer and Drainage Facilities," "—Financing Recreational Facilities," and "—Financing Road Facilities" herein, "THE DISTRICT—General," 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.

Issuance of additional bonds could dilute the investment security for the Bonds.

Financing Water, Sewer and Drainage Facilities

Pursuant to provisions of the Texas Constitution and Chapter 49 and Chapter 54, Texas Water Code, as amended, the District is authorized to acquire or construct certain water, sewer and drainage facilities subject to the approval of the TCEQ and a successful District election to approve the issuance of bonds payable from taxes. See "THE DISTRICT—General." At elections held within the District on May 7, 2005, November 7, 2006, and May 10, 2008, voters of the District authorized a total of $211,320,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, of which $128,125,000 in principal amount of unlimited tax bonds for said improvements and facilities remains authorized but unissued.

Financing Park and Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance certain park and recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities. Pursuant to the provisions of related statutory amendments, such maintenance tax may not exceed 10 cents per $100 of taxable assessed valuation of taxable property.

At elections held within the District on May 7, 2005, November 7, 2006, and May 10, 2008, voters of the District authorized a total of $20,360,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and authorized a maintenance tax not to exceed $0.10 per $100 of taxable assessed valuation for maintenance of park and recreational facilities. Such maintenance tax is in addition to any other maintenance tax authorized by the District. The District has issued $6,085,000 principal amount of unlimited tax park bonds in two series and a total of $14,275,000 in principal amount of unlimited tax park bonds remains authorized but unissued from said authorization. The District is authorized to issue such bonds if (i) at the time of issuance, the bonds do not exceed 1% of the value of the taxable property in the District, or the estimated cost of the facilities as set forth in the recreational facilities plan adopted by the District, whichever amount is smaller; (ii) the District obtains any necessary governmental consents allowing the issuance of such bonds; (iii) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (iv) 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. Issuance of additional bonds for recreational facilities could dilute the investment 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.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts operating pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District and at elections held within the District on November 7, 2006 and May 10, 2008, voters of the District authorized a total of $37,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities. The District has issued $28,245,000 principal amount of unlimited tax road bonds in four series, and could issue additional amounts. A total of $9,255,000 in principal amount of unlimited tax road bonds remains authorized but unissued from said authorization. See "—Issuance of Additional Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt."

Financing Fire-Fighting Activities

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston 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 Remaining 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.

Consolidation

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

Remedies in Event of Default

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

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 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 so 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.

BRIDGELAND

The District is part of the master-planned community of Bridgeland, currently consisting of the District, three water control and improvement districts, six other municipal utility districts, 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. 489 ("MUD 489"), the District, and certain land not within any other municipal utility district are within the boundaries of Harris County Water Control and Improvement District No. 157 ("WCID 157"). All of the residential development described herein is occurring 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 26 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 municipal utility 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 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

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

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and firefighting 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. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing certain water, sewer and drainage facilities, parks and recreational facilities, and fire-fighting facilities as well as voter approval of the issuance of bonds for said purpose.

Construction and operation of the District's water, sewer and drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "WATER, WASTEWATER AND DRAINAGE—Regulation."

Description and Location

The District currently consists of approximately 1,761 acres of land in northwest Harris County. 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 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	10	--
Future Development (b)	115	--
Non-Developable (c)	633	--
Subtotal	811	--
Total	1,761	3,016

(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 in such sections is expected by January 2017.

(b) Includes approximately 17 acres under construction for development of a 288-unit apartment community, approximately 62 acres within the District served by underground trunkline water, sewer and drainage facilities for future commercial/multi-family development and approximately 36 developable acres that have not been provided with utility service.

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

Status of Development

As of November 14, 2016, approximately 2,459 homes were complete (2,452 occupied), 234 homes were under construction or in the name of the builder, and 371 lots were available for home construction or in the name of a builder. 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 8,582, based upon 3.5 persons per completed home. In addition, utility construction for 138 single-family residential lots on approximately 47 acres is underway in the residential subdivision Hidden Creek and completion is expected by January 2017. 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 spring of 2017.

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 professional office buildings totaling approximately 21,600 square feet have been developed on approximately 9 acres where a Marble Slab Creamery, a dentist office and a nail salon have been opened in the retail strip centers and a Re/Max real estate office, physical therapy center and endodontics dentist office have opened in the professional office buildings.

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 36 developable acres of land in the District (excluding 47 acres where construction is underway for development of 138 single-family residential lots, 17 acres under construction for multi-family development, and 62 acres served by trunk facilities) 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 water, sewer, drainage, road and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds ($128,125,000 principal amount for water, sewer, and drainage facilities, $9,255,000 principal amount for roads, and $14,275,000 principal amount for recreational facilities) should be sufficient to finance the construction of facilities to complete the District's water, sewer, drainage, road and recreational system for full development of the District. See "WATER, WASTEWATER AND DRAINAGE," "ROADS," "PARK AND RECREATIONAL FACILITIES," 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 nor 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. Four of the five Board members reside within the District and the remaining Board member owns land within the District, subject to a Deed of Trust in favor of the Developer. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Stephanie Gay	President	May 2018
Robert M. Shaw	Vice President	May 2020
Pamela B. Gray	Secretary	May 2018
Robert G. Thomas	Assistant Secretary	May 2020
Radney Poole	Director	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.

Special Tax Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas serves as Special Tax Counsel to the District. The fees to be paid to Special Tax 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 issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

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

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.

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

Utility System Operator: Severn Trent Environmental Services, Inc. operates the water and wastewater systems and plants of MUD 418 and the internal water distribution and wastewater collection facilities of the District.

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.

WATER, WASTEWATER AND DRAINAGE

Regulation

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

Master Facilities

Master Water and Sanitary Sewer Facilities Contract: The District 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 between MUD 418 and the District, as amended and supplemented from time to time (the "Master Contract"). MUD 489 was made a participant in 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 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, including the Master District in its capacity as a district receiving Master District services, 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, sewer and 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 of the service area, and range from $230 per equivalent single-family connection to $1,890 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 Participants, 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 489 and the District have approved such a contract revenue tax proposition.

Water Supply: Water supply to serve the development within the District is provided by Water Plant No. 1 owned and operated by the Master District. The Master District's current facilities at Water Pant No. 1 include two water wells 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 10,150 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 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 will 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 ("City") to obtain treated surface water from the City. 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 $2.65 per 1,000 gallons of surface water received. Effective January 1, 2017, the Authority will charge the Master District a fee of $2.45 per 1,000 gallons of groundwater pumped and $2.85 per 1,000 gallons of surface water received. The Authority has issued $366,305,000 principal amount 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. 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 2,100,000 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 District.

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: The District has purchased water supply, wastewater treatment, and wastewater collection capacity from the Master District for 3,790 equivalent single-family connections pursuant to the Master Contract, as amended. An approximate 128 acre school site and an approximate 32 acre church site under construction will be the first development within MUD 489. As such, MUD 489 has contracted for water supply, wastewater treatment, and wastewater collection capacity from the Master District for 195 equivalent single-family connections pursuant to the Mater Contract, as amended.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

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

Flood Plain

According to the Engineer, none of the developable acreage in the District is currently located in the 100-year flood plain.

Water and Wastewater Operations

The Bonds and the Remaining 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. Net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Remaining Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Remaining 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, 2013 through May 31, 2016 and for the period ended November 30, 2016 from the District's Bookkeeper. 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.

	6/1/2016 to 11/30/2016 (a) (Unaudited)	Fiscal Year Ended May 31			
		2016	2015	2014	2013
Revenues:					
Property Taxes	$ 19,327	$ 1,373,218	$ 887,331	$ 1,081,895	$ 806,608
Service Revenues	1,180,787	1,984,788	1,790,462	1,807,617	1,595,114
Penalty and Interest	30,296	58,471	65,077	104,602	50,944
Tap Connection and Inspection Fees	219,179	575,764	245,410	279,403	443,519
Regional Water Authority	703,709	1,032,145	789,633	769,810	559,837
Investment Income	5,957	12,146	10,963	7,913	5,874
Total Revenue	$ 2,159,255	$ 5,036,532	$ 3,788,876	$ 4,051,240	$ 3,461,896
Expenditures:					
Professional Fees	$ 100,717	$ 199,650	$ 157,752	$ 165,261	$ 177,036
Purchased Services	449,762	1,183,797	865,967	857,313	928,689
Contracted Services	444,388	844,204	772,711	674,985	650,577
Utilities	99,480	192,594	164,748	143,456	148,213
Repairs and Maintenance	348,231	467,256	456,799	308,487	255,578
Regional Water Authority Fees	690,417	1,017,750	843,022	885,415	541,834
Other Expenditures	58,362	192,404	170,047	188,267	146,580
Tap Connections	132,593	213,205	85,432	35,143	218,935
Capital Outlay	-	214,169	44,135	-	127,766
Total Expenditures	$ 2,323,950	$ 4,525,029	$ 3,560,613	$ 3,258,327	$ 3,195,208
NET REVENUES	$ (164,695)	$ 511,503	$ 228,263	$ 792,913	$ 266,688
General Operating Fund Balance (Beginning of Year)	$ 3,295,347	$ 2,783,844	$ 2,555,581	$ 1,762,668	$ 1,495,980
General Operating Fund Balance (End of Year)	$ 3,130,652	$ 3,295,347	$ 2,783,844	$ 2,555,581	$ 1,762,668

(a) Unaudited. Provided by the District's Bookkeeper.

ROADS

Certain series of the Previously Issued Bonds 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 the Previously Issued 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, Bridgeland Creek Parkway, Section One, 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, Hidden Creek, Section Thirteen, Josey Ranch Road and B-8 Crossing, Bridgeland Creek Parkway, Section Three, West Creekside Bend, Sections One and Two, and Hidden Creek, Section Twenty-Four (West Creekside Bend portion). North Bridgeland Lake Parkway Bridgeland and Creek Parkway are major thoroughfares. The District does not operate or maintain the Roads; the Roads are conveyed to Harris County, Texas for ownership, operations and maintenance in accordance with standard acceptance procedures. See "THE BONDS—Financing Road Facilities."

PARK AND RECREATIONAL FACILITIES

Certain series of the Previously Issued Bonds were issued to finance park and recreational facilities to serve residents of the District. Park and recreational facilities constructed within the District include an approximately 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."

MAJOR CHANNEL AND DETENTION IMPROVEMENTS

WCID 157 was created to construct and operate all amenity/detention facilities and major drainage and channel improvements necessary to serve the land within the boundaries of WCID 157, including the District. The drainage facilities constructed by WCID 157 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 1,450 acres of single-family residential, commercial and recreational land use.

[*The Remainder of This Page is Intentionally Left Blank*]

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2016 Taxable Assessed Valuation	$905,439,010	(a)
Estimated Taxable Assessed Valuation as of July 1, 2016	$988,180,484	(b)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	$108,220,000	(c)
Estimated Overlapping Debt	93,516,653	(d)
Gross Direct Debt and Estimated Overlapping Debt	$201,736,653	
Ratios of Gross Direct Debt to:		
2016 Taxable Assessed Valuation	11.95%	
Estimated Taxable Assessed Valuation as of July 1, 2016	10.95%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Taxable Assessed Valuation	22.28%	
Estimated Taxable Assessed Valuation as of July 1, 2016	20.42%	
Funds Available for Debt Service as of January 9, 2017	$4,490,565	(e)
Funds Available for Operations and Maintenance as of January 9, 2017	$2,943,013	
Funds Available for Construction as of January 9, 2017	$1,872,494	(f)

(a) The 2016 Taxable Assessed Valuation shown herein includes $837,026,893 of certified value and $68,412,117 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 taxable 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) After the issuance of the Bonds. See "PLAN OF FINANCING—Outstanding Bonds."

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

(e) Of such balance, $3,628,104 is allocated to pay debt service on Road Bonds (hereinafter defined) and $862,461 is allocated to pay debt service on WSD&R Bonds (hereinafter defined).

(f) 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 WSD&R Bonds. Of such amount, $1,518,354 and $189,738 may be used to finance water, sewer and drainage facilities and park and recreational facilities, respectively, with the approval of the TCEQ, and $164,402 may be used to finance road facilities. The Series 2016 Road Bonds, if, as and when issued, may produce additional surplus funds.

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.

[*The Remainder of This Page is Intentionally Left Blank*]

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	$2,421,235,464	08/31/16	0.21%	$ 5,084,594
Harris County Flood Control District	83,075,000	08/31/16	0.21%	174,458
Harris County Dept. of Education	7,000,000	08/31/16	0.21%	14,700
Port of Houston Authority	674,269,397	08/31/16	0.21%	1,415,966
Cypress-Fairbanks Independent School District	2,303,970,000	08/31/16	1.83%	42,162,651
Lone Star College System	568,335,000	08/31/16	0.48%	2,634,600
WCID 157	43,640,000	09/02/16	96.31%	42,029,684
Total Estimated Overlapping Debt				$ 93,516,653
The District's Total Direct Debt (a)				108,220,000
Total Direct and Estimated Overlapping Debt				$201,736,653
Direct and Estimated Overlapping Debt as a Percentage of:				
2016 Taxable Assessed Valuation of $905,439,010				22.28%
Estimated Taxable Assessed Valuation as of July 1, 2016 of $988,180,484				20.42%

(a) Includes the Bonds and the Remaining 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 2016 tax year by all overlapping taxing jurisdictions. 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)	$ 0.635180
Cypress Fairbanks Independent School District	1.440000
Harris County Emergency Services District No. 9	0.053310
Harris County Water Control and Improvement District No.157 (a)	0.465000
Lone Star College System	0.107800
Total Overlapping Tax Rate	$ 2.701290
The District (a)	0.940000
Total Tax Rate	$ 3.641290

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

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 taxable assessed valuation for general operations and maintenance costs. At the same election, voters 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 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 an exemption of $10,000 of the appraised value of residential homesteads of individuals who are sixty-five (65) years of age or older or who are under a disability for purposes of payment of disability insurance benefits 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	2016	
Debt Service	$0.82	$0.81	$0.87	$0.80	$0.80	(a)
Maintenance	0.18	0.19	0.13	0.17	0.14	
Total	$1.00	$1.00	$1.00	$0.97	$0.94	

(a) Of such 2016 debt service tax rate, $0.60 per $100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater, storm drainage, and parks and recreational facilities and $0.20 per $100 of taxable assessed valuation is allocated to pay debt service for road facilities.

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 a report prepared by 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 Taxable Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections As of 11/30/16 (c) Amount	Percent
2011	$361,559,360	$1.00	$3,615,594	$3,666,263	101.40%
2012	448,987,935	1.00	4,489,879	4,486,656	99.93%
2013	570,736,283	1.00	5,707,363	5,700,984	99.89%
2014	689,228,251	1.00	6,892,283	6,880,585	99.83%
2015	809,976,123	0.97	7,856,768	7,837,159	99.75%
2016	905,439,010	0.94	8,511,127	(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) Unaudited.
(d) In process of collection. 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 Valuation. Breakdowns of the uncertified portion ($68,412,117) of the 2016 Taxable Assessed Valuation of $905,439,010 and Estimated Taxable Assessed Valuation as of July 1, 2016, of $988,180,484, are not available.

	2012 Taxable Assessed Valuation	2013 Taxable Assessed Valuation	2014 Taxable Assessed Valuation	2015 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	$ 106,391,705	$ 121,164,635	$ 150,694,732	$ 179,127,706	$ 162,294,882
Improvements	347,002,623	455,558,329	555,240,162	645,601,324	690,964,648
Personal Property	4,280,435	6,516,000	7,698,885	8,208,112	3,853,819
Exemptions	(8,686,828)	(12,502,681)	(24,405,528)	(22,961,019)	(20,086,456)
Uncertified	-	-	-	-	68,412,117
Total Assessed Valuation	$ 448,987,935	$ 570,736,283	$ 689,228,251	$ 809,976,123	$ 905,439,010

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portion ($837,026,893) of the 2016 Taxable Assessed Valuation. This represents ownership as of January 1, 2016. Principal taxpayer lists related to the uncertified portion ($68,412,117) of the 2016 Taxable Assessed Valuation of $905,439,010 and the Estimated Taxable Assessed Valuation as of July 1, 2016, of $988,180,484 are not available.

Taxpayer	2016 Certified Taxable Assessed Valuation	% of 2016 Certified Taxable Assessed Valuation
Lakeland Village Holding Company LLC	$ 7,849,576	0.94%
Bridgeland Development, L.P. (a)	5,874,265	0.70%
Lennar Homes of Texas (b)(c)	2,784,695	0.33%
Darling Homes of Texas LLC (b)	2,503,197	0.30%
CenterPoint Energy Houston Electric	1,679,630	0.20%
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	1,288,557	0.15%
Individual Residential Property Owner	1,262,838	0.15%
Westin Homes & Properties LP	1,112,244	0.13%
Total of Principal Taxpayers	$ 19,258,584	2.29%

(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 Remaining Outstanding Bonds if no growth in the District's tax base occurred beyond the 2016 Taxable Assessed Valuation of $905,439,010 ($837,026,893 of certified value plus $68,412,117 of uncertified value) and Estimated Taxable Assessed Valuation as of July 1, 2016 of $988,180,484. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in the 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 "PLAN OF FINANCING—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2017-2041) $6,161,587
$0.72 Tax Rate on the 2016 Taxable Assessed Valuation $6,193,203
$0.66 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2016 .... $6,195,892

Maximum Annual Debt Service Requirement (2018) $7,896,481
$0.92 Tax Rate on the 2016 Taxable Assessed Valuation $7,913,537
$0.85 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2016 .... $7,979,557

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of July 1, 2016, for the District will be certified as taxable value by the Appraisal District, or that the uncertified portion of the 2016 Taxable Assessed Valuation will not be adjusted downward prior to certification, 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 2016 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 8, 2016, approximately 7 acres of land 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, under certain circumstances, 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 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 or commercial/retail improvements. The market value of such homes, lots and undeveloped land is related to general economic conditions affecting the demand for residences. Demand for lots and undeveloped land of this type and the construction of residential and commercial improvements 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" below 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 the City and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District's property tax base.

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 northwestern 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 November 14, 2016, approximately 36 developable acres of land in the District (excluding 47 acres where construction is underway for development of 138 single-family residential lots, 17 acres under construction for multi-family development, and 62 acres served by trunk facilities) 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 construction of commercial and multi-family improvements. The District makes no representation with regard to whether or not building programs will be successful. See "THE DISTRICT—Land Use," "THE DEVELOPER," and "—Possible Impact on District Tax Rates."

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 $905,439,010 ($837,026,893 of certified value plus $68,412,117 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $7,896,481(2018), and the average annual debt service requirement will be $6,161,587 (2017-2041 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 $0.92 and $0.72, 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 "PLAN OF FINANCING—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

The Estimated Taxable Assessed Valuation as of July 1, 2016 is $988,180,484, which reduces the above tax calculations to $0.85 and $0.66 per $100 of taxable assessed valuation, respectively. No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of July 1, 2016 will be the amount finally certified 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

The land within the District is included within the boundaries of WCID 157 and is also subject to taxation by WCID 157. WCID 157 levied a 2016 tax rate of $0.465 per $100 of taxable assessed valuation, comprised of $0.35 for debt service and $0.115 for maintenance. Currently, the land within the District makes up substantially all of the taxable value in WCID 157; however, WCID 157 consists of 3,271 acres of land and encompasses MUD 418 and MUD 489, as well as the District. WCID 157 is authorized to issue unlimited tax bonds in a maximum principal amount of $256,600,000 for drainage purposes and $204,300,000 for recreation purposes without additional voter approval. WCID 157 currently has $43,640,000 principal amount of outstanding bonds and expects to issue additional unlimited tax bonds in future years. The District cannot represent whether any of the development planned or occurring in WCID 157 will be successful or whether the appraised valuation of the land located within WCID 157 will justify continued payment of the WCID 157 taxes by property owners. Increases in WCID 157's tax rate could have an adverse impact upon future development and home sales within the District and in the willingness of owners of property located within the District to pay ad valorem taxes levied by WCID 157 and the District.

The tax rate that may be required to service debt on any bonds issued by the District or WCID 157 is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each, 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 imposed on competing projects in the Harris County 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 $1.405 per $100 of taxable assessed valuation for the District and WCID 157 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, sewer, drainage, roads and recreational facilities to $1.50 per $100 of taxable 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 WCID 157. The current combined tax rate of the District and WCID 157 is consistent with the rules of the TCEQ. If the total combined tax rate of the District and WCID 157 should ever exceed $1.50 per $100 of taxable assessed valuation, the District and WCID 157 could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of TCEQ. See "Possible Impact on District Tax Rates" above and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (Unaudited)—Estimated Overlapping Debt" and "—Overlapping Taxes."

Voters within the Bridgeland Management District ("Management District"), which includes 26 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's voters have authorized the issuance of a total of $269,180,000 in principal amount of unlimited tax bonds for refunding outstanding bonds of the District. After issuance of the Bonds, $266,370,000 in principal amount of unlimited refunding tax bonds will remain authorized but unissued. The District's voters have also authorized the issuance of a total of $37,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities, a total of $211,320,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, and a total of $20,360,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities, of which $9,255,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities, $128,125,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities, and $14,275,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities will remain authorized but unissued. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," and "—Financing Road Facilities." The District's voters could authorize additional unlimited tax bonds for water, sewer, and drainage facilities, road facilities, and recreational facilities, and for refunding outstanding bonds of the District. The issuance of additional bonds for water, sewer, drainage and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The issuance of additional bonds for road facilities is currently not subject to approval by the TCEQ. 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.

The District continues to owe funds to the Developer in the amount of approximately $12,900,000 plus interest for advances made for the engineering and construction of water, sewer, drainage facilities, and roads, and approximately $24,100,000 plus interest for advances made for the engineering and construction of recreational facilities; however, the principal amount of bonds (outstanding bonds must be taken into account) issued to finance recreational facilities may not exceed 1% of the District's taxable value at the time the bonds are issued. The District currently has $5,280,000 principal amount of unlimited tax bonds for recreational facilities outstanding (see "PLAN OF FINANCING—Outstanding Bonds"). The District intends to issue additional bonds in order to fully reimburse the Developer and to provide such facilities to the remainder of undeveloped but developable land (36 acres, which excludes approximately 47 acres under construction for development of 138 single-family residential lots, 17 acres under construction for multi-family development, and 62 acres served by trunk facilities). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in value of the taxable property 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. See "Overlapping Debt and Taxes" in this section and "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," "—Financing Road Facilities," and "—Financing Fire-Fighting 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.

Water Supply & Discharge Issues. Water supply and discharge regulations that Utility Districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act ("SDWA"), potable (drinking) water provided by a Utility District to more than twenty-five (25) people or fifteen (15) service connections is subject to extensive federal and state regulation as a public water supply system, which includes, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Operations of a Utility District's sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued pursuant to the National Pollutant Discharge Elimination System ("NPDES") program. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant District Elimination System program.

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 entered into an agreement with Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "policy"). At the time of entering into this agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

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. 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. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owner for federal income tax purposes under existing laws and not subject to the alternative minimum tax on individuals, or, exceptions described therein, corporations.

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 and Special Tax 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 by Norton Rose Fulbright US LLP, Houston, Texas, as Underwriter's 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 "PLAN OF FINANCING—Escrow Agreement," and "—Defeasance of Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS—Legal Opinions" (but only insofar as such section relates to the legal opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, has reviewed the information appearing in this OFFICIAL STATEMENT under the caption "LEGAL MATTERS—Legal Opinions" (insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this OFFICIAL STATEMENT, nor have such firms 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 firms' 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 MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel, will render their 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 (the "Code"). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering their opinion, Special Tax Counsel will rely upon (a) the opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Grant Thornton, LLP, Certified Public Accountants, and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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, 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.

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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds and; (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with City of Houston Ordinance No. 97-416.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the District and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the District and its representatives and has not evaluated or examined the assumptions or information used in the computations.

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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service ("Moody's") will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). In addition, Moody's has assigned an underlying rating of "A2" to the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

MUNICIPAL BOND INSURANCE

<u>Bond Insurance Policy</u>

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

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

<u>Assured Guaranty Municipal Corp.</u>

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

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

Current Financial Strength Ratings

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM

At September 30, 2016, AGM's policyholders' surplus and contingency reserve were approximately $3,891 million and its net unearned premium reserve was approximately $1,378 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 (filed by AGL with the SEC on November 4, 2016).

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

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

Miscellaneous Matters

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

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. 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 said firm as experts 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," "ROADS," "WATER, WASTEWATER AND DRAINAGE" and "MAJOR CHANNEL AND DETENTION IMPROVEMENTS" 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.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in the "WATER, WASTEWATER AND DRAINAGE—Water and Wastewater Operations" has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

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").

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 "PLAN OF FINANCING—Debt Service Requirements," "WATER, WASTEWATER AND DRAINAGE," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," (except "Estimated Overlapping Debt" and "Overlapping Taxes") and "TAX DATA" (most of which information is contained in the District's annual audited financial statements) and in "APPENDIX A." The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2017.

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 the 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 make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the 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 holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with 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.

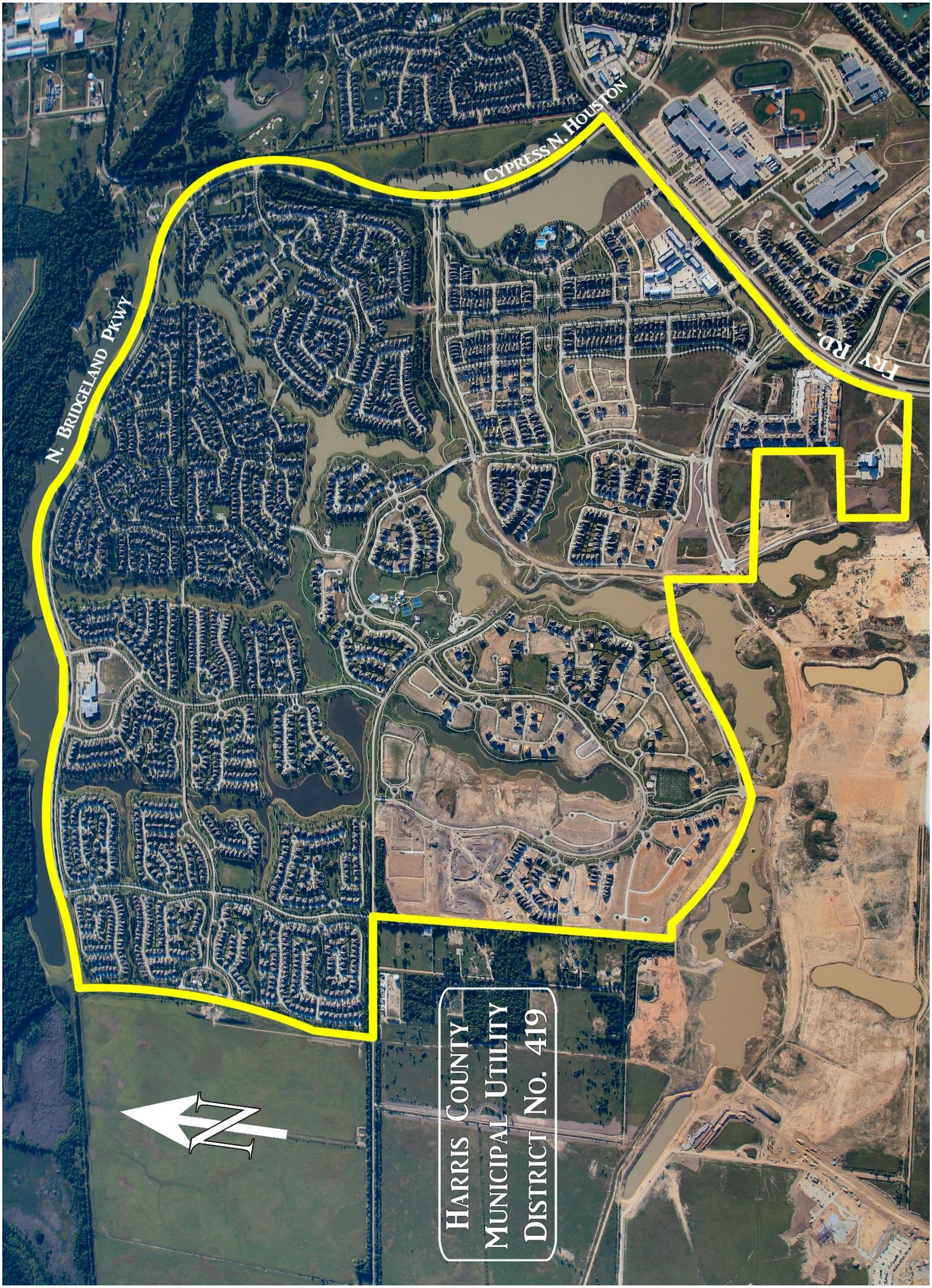
/s/ Stephanie Gay
President, Board of Directors

ATTEST:

/s/ Pamela B. Gray
Secretary, Board of Directors

AERIAL LOCATION MAP

(Approximate boundaries as of July 2016)


Cypress N. Houston
Fry Rd.
N. Bridgeland Pkwy
N
Harris County
Municipal Utility
District No. 419

PHOTOGRAPHS OF THE DISTRICT

(Taken July 2016)


BRIDGELAND


SOLD


David Weekley Homes
281-249-7757


David Weekley Homes
SOLD


CVS/pharmacy

APPENDIX A

Independent 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 Municipal Utility District No. 419 and certain supplemental information for the fiscal year ended May 31, 2016.

Harris County Municipal Utility District No. 419

Harris County, Texas

Independent Auditor's Report and Financial Statements

May 31, 2016

BKD LLP

CPAs & Advisors

Harris County Municipal Utility District No. 419

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 Municipal Utility District No. 419
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities of Harris County Municipal Utility District No. 419 (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
October 6, 2016

Harris County Municipal Utility District No. 419
Management's Discussion and Analysis
May 31, 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 water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. 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 total 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 water, sewer 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 total 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	$ 14,132,424	$ 12,360,502
Capital assets	53,223,540	46,166,547
Total assets	67,355,964	58,527,049
Deferred outflows of resources	2,424,398	0
Total assets and deferred outflows of resources	$ 69,780,362	$ 58,527,049
Long-term liabilities	$ 110,417,263	$ 94,126,399
Other liabilities	1,858,601	1,479,512
Total liabilities	112,275,864	95,605,911
Net position:		
Restricted	7,720,477	6,779,071
Unrestricted	(50,215,979)	(43,857,933)
Total net position	$ (42,495,502)	$ (37,078,862)

The total net position of the District decreased by $5,416,640, or about 15 percent. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance and the purchase of additional water and wastewater capacity. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At May 31, 2016, unrestricted net position was $(50,215,979). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Through May 31, 2016, the District has also paid Harris County Municipal Utility District No. 418 a cumulative amount of $19,746,736 for capacity in regional water and sewer facilities. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2016	2015
Revenues:		
Property taxes	$ 7,861,745	$ 6,856,920
Charges for services	3,016,933	2,580,095
Other revenues	712,712	350,959
Total revenues	11,591,390	9,787,974
Expenses:		
Services	4,545,266	3,661,713
Conveyance of capital assets	2,736,038	3,963,233
Connection fees	2,596,674	7,458,365
Depreciation	2,057,996	1,871,934
Debt service	5,072,056	3,878,907
Total expenses	17,008,030	20,834,152
Change in net position	(5,416,640)	(11,046,178)
Net position, beginning of year	(37,078,862)	(26,032,684)
Net position, end of year	$ (42,495,502)	$ (37,078,862)

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 $12,922,966, an increase of $1,345,814 from the prior year.

The general fund's fund balance increased by $511,503 due to property tax and service revenues exceeding service expenditures, as well as tap connection and inspection fees revenues exceeding related tap connection expenditures.

The debt service fund's fund balance increased by $878,773 due to property tax revenues exceeding bond principal and interest requirements.

The capital projects fund's fund balance decreased by $44,462 due to capital outlay expenditures and debt issuance costs exceeding proceeds from the sale of bonds.

Harris County Municipal Utility District No. 419

Management's Discussion and Analysis (Continued)

May 31, 2016

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 tap connection fees revenues and purchased services expenditures being greater than anticipated and capital outlay expenditures not being budgeted. The fund balance as of May 31, 2016, was expected to be $3,546,855 and the actual end-of-year fund balance was $3,295,347.

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	$ 1,105,584	$ 1,105,584
Construction in progress	-	504,138
Water facilities	9,040,151	7,433,773
Wastewater facilities	13,620,833	10,748,865
Drainage facilities	162,099	49,871
Recreational facilities	4,118,692	4,454,027
Road facilities	25,176,181	21,870,289
Total capital assets	$ 53,223,540	$ 46,166,547

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

Water and wastewater utilities to serve Bridgeland Cove, Section 7; Water Haven, Section 8; Hidden Creek, Sections 1, 2, 3, 5, 7, 13, 15, 19, 24 and 30; and Bridgeland Creek Parkway, Sections 1 and 2; Lakeland Heights, Sections 6 and 9; East Creekside Bend from Hidden Pass to Larrison, and Hidden Creek lift station Nos. 1 and 2	$ 5,175,982
Paving facilities to serve Bridgeland Creek Parkway, Sections 1 and 2; Hidden Creek, Section 5; East Creekside Bend from Hidden Pass Drive to Larrison Circle; Hidden Pass Drive from Parkride Haven to Bridge Cove Drive; Hidden Creek, Sections 13, 15, 19, 24 and 30; North Bridgeland Lake Parkway, Section 5; and Lakeland Heights, Sections 6 and 9	3,983,142
Total additions to capital assets	$ 9,159,124

Harris County Municipal Utility District No. 419

Management's Discussion and Analysis (Continued)

May 31, 2016

The developer within the District has constructed water, sewer and drainage facilities, recreational facilities and road 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. As of May 31, 2016, a liability for developer-constructed capital assets of $21,260,220 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 as follows:

Long-term debt payable, beginning of year	$ 94,126,399
Increases in long-term debt	46,270,526
Decreases in long-term debt	(29,979,662)
Long-term debt payable, end of year	$ 110,417,263

On August 4, 2015, the District sold $5,175,000 in unlimited tax refunding bonds to advance-refund $4,700,000 of outstanding Series 2007 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $402,866 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $293,361.

On September 14, 2015, the District sold its Series 2015A unlimited tax bonds in the amount of $9,000,000 at a net effective interest rate of approximately 3.70 percent. The bonds were sold to finance water, sewer and drainage facilities to serve the District.

On November 9, 2015, the District sold its Series 2015 unlimited tax road bonds in the amount of $4,160,000 at a net effective interest rate of approximately 3.61 percent. The bonds were sold to finance road facilities to serve the District.

Finally, on February 22, 2016, the District sold $20,585,000 in unlimited tax refunding bonds to advance-refund $18,525,000 of outstanding Series 2007, Series 2008, Series 2009 and Series 2010 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $2,356,525 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $1,751,105.

At May 31, 2016, the District had $146,125,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving water, sanitary sewer and drainage systems within the District, $14,275,000 for financing and constructing recreational facilities, and $11,905,000 for financing and constructing roads.

The District's bonds carry an underlying rating of "A3" from Moody's Investors Service. The Series 2008 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2014 park bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2014A bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 road, Series 2015 refunding, Series 2015A and Series 2016 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

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 water, sewer, drainage and paving 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 $33,700,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Municipal Utility District No. 419

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	$ 288,752	$ 569,826	$ 999,889	$ 1,858,467	$ -	$ 1,858,467
Certificates of deposit	3,460,000	3,840,000	-	7,300,000	-	7,300,000
Short-term investments	197,067	4,096,397	-	4,293,464	-	4,293,464
Receivables:						
Property taxes	13,459	65,089	-	78,548	-	78,548
Service accounts	167,408	-	-	167,408	-	167,408
Accrued interest	4,391	5,788	-	10,179	-	10,179
Accrued penalty and interest	-	-	-	-	15,756	15,756
Interfund receivable	26,820	191,842	-	218,662	(218,662)	-
Due from others	12,887	-	-	12,887	9,736	22,623
Prepaid expenditures	22,383	-	-	22,383	-	22,383
Operating deposits	363,596	-	-	363,596	-	363,596
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	1,105,584	1,105,584
Infrastructure	-	-	-	-	22,823,083	22,823,083
Roads	-	-	-	-	25,176,181	25,176,181
Recreation facilities	-	-	-	-	4,118,692	4,118,692
Total assets	4,556,763	8,768,942	999,889	14,325,594	53,030,370	67,355,964
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	2,424,398	2,424,398
Total assets	$ 4,556,763	$ 8,768,942	$ 999,889	$ 14,325,594	$ 55,454,768	$ 69,780,362

Harris County Municipal Utility District No. 419
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	$ 756,190	$ 3,742	$ 5,582	$ 765,514	$ -	$ 765,514
Accrued interest payable	-	39,979	-	39,979	753,183	793,162
Customer deposits	285,725	-	-	285,725	-	285,725
Unearned tap connection fees	14,200	-	-	14,200	-	14,200
Interfund payable	191,842	26,820	-	218,662	(218,662)	-
Long-term liabilities:						
Due within one year	-	-	-	-	3,300,000	3,300,000
Due after one year	-	-	-	-	107,117,263	107,117,263
Total liabilities	1,247,957	70,541	5,582	1,324,080	110,951,784	112,275,864
Deferred Inflows of Resources						
Deferred property tax revenues	13,459	65,089	0	78,548	(78,548)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	22,383	-	-	22,383	(22,383)	-
Restricted:						
Unlimited tax bonds	-	8,195,847	-	8,195,847	(8,195,847)	-
Water, sewer and drainage	-	-	421,395	421,395	(421,395)	-
Parks and recreation	-	-	205,417	205,417	(205,417)	-
Roads	-	437,465	367,495	804,960	(804,960)	-
Assigned, operating deposits	363,596	-	-	363,596	(363,596)	-
Unassigned	2,909,368	-	-	2,909,368	(2,909,368)	-
Total fund balances	3,295,347	8,633,312	994,307	12,922,966	(12,922,966)	0
Total liabilities, deferred inflows of resources and fund balances	$ 4,556,763	$ 8,768,942	$ 999,889	$ 14,325,594		
Net position:						
Restricted for debt service					7,680,979	7,680,979
Restricted for capital projects					39,498	39,498
Unrestricted					(50,215,979)	(50,215,979)
Total net position					$ (42,495,502)	$ (42,495,502)

Harris County Municipal Utility District No. 419

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	$ 1,373,218	$ 6,484,359	$ -	$ 7,857,577	$ 4,168	$ 7,861,745
Water service	949,902	-	-	949,902	-	949,902
Sewer service	1,034,886	-	-	1,034,886	-	1,034,886
Regional water fee	1,032,145	-	-	1,032,145	-	1,032,145
Penalty and interest	58,471	52,972	-	111,443	3,128	114,571
Tap connection and inspection fees	575,764	-	-	575,764	(9,735)	566,029
Investment income	12,146	18,449	1,517	32,112	-	32,112
Total revenues	5,036,532	6,555,780	1,517	11,593,829	(2,439)	11,591,390
Expenditures/Expenses						
Service operations:						
Purchased services	1,183,797	-	-	1,183,797	-	1,183,797
Regional water fee	1,017,750	-	-	1,017,750	-	1,017,750
Professional fees	199,650	6,365	-	206,015	77,150	283,165
Contracted services	844,204	93,424	-	937,628	1,073	938,701
Utilities	192,594	-	-	192,594	-	192,594
Repairs and maintenance	467,256	-	-	467,256	52,000	519,256
Other expenditures	192,404	3,080	1,314	196,798	-	196,798
Tap connections	213,205	-	-	213,205	-	213,205
Capital outlay	214,169	-	11,654,470	11,868,639	(11,868,639)	-
Conveyance of capital assets	-	-	-	-	2,736,038	2,736,038
Connection fees	-	-	-	-	2,596,674	2,596,674
Depreciation	-	-	-	-	2,057,996	2,057,996
Debt service:						
Principal retirement	-	2,695,000	-	2,695,000	(2,695,000)	-
Interest and fees	-	3,285,363	-	3,285,363	133,886	3,419,249
Debt issuance costs	-	880,336	772,471	1,652,807	-	1,652,807
Debt defeasance	-	17,000	-	17,000	(17,000)	-
Total expenditures/expenses	4,525,029	6,980,568	12,428,255	23,933,852	(6,925,822)	17,008,030
Excess (Deficiency) of Revenues Over Expenditures	511,503	(424,788)	(12,426,738)	(12,340,023)	6,923,383	

Harris County Municipal Utility District No. 419

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	$ -	$ 26,180,600	$ 12,739,400	$ 38,920,000	$ (38,920,000)	
Premium on debt issued	-	284,576	-	284,576	(284,576)	
Discount on debt issued	-	(79,171)	(357,124)	(436,295)	436,295	
Deposit with escrow agent	-	(25,082,444)	-	(25,082,444)	25,082,444	
Total other financing sources	0	1,303,561	12,382,276	13,685,837	(13,685,837)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	511,503	878,773	(44,462)	1,345,814	(1,345,814)	
Change in Net Position					(5,416,640)	$ (5,416,640)
Fund Balances/Net Position						
Beginning of year	2,783,844	7,754,539	1,038,769	11,577,152	-	(37,078,862)
End of year	$ 3,295,347	$ 8,633,312	$ 994,307	$ 12,922,966	$ 0	$ (42,495,502)

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

Harris County Municipal Utility District No. 419 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective February 21, 2005, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 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 waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is also authorized by the Texas Water Code, Chapter 49, to provide recreational facilities and has acquired the authority to provide road facilities under the Texas Water Code, Chapter 54.

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 water, wastewater, 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 includes 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
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Recreational facilities	15-20
Road facilities	20

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 and due from others	$	3,318,542
Long-term debt in excess of capital assets and unexpended bond proceeds		(53,534,521)
Total	$	(50,215,979)

The District has financed drainage facilities, which have been assumed by Harris County for maintenance and other incidents of ownership, which has caused long-term debt to be in excess of capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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.	$	53,223,540
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		78,548
Amount due from others is not receivable in the current period and is not reported in the funds.		9,736
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.		15,756
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.		2,424,398
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.		(753,183)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(110,417,263)
Adjustment to fund balances to arrive at net position.	$	(55,418,468)

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.	$	1,345,814
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 expense, noncapitalized costs and conveyed capital assets in the current period.		4,347,708

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 the transactions, however, have any effect on net position.	$	(11,125,556)
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.		151,719
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(2,439)
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.		(133,886)
Change in net position of governmental activities.	$	(5,416,640)

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 TexasCLASS, 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 TexasCLASS.

At May 31, 2016, the District had the investments and maturities shown as follows:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
TexasCLASS	$ 4,293,464	$ 4,293,464	$ 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 TexasCLASS 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	$ 9,158,467
Investments	4,293,464
Total	$ 13,451,931

Included in the following statement of net position captions:

Cash	$	1,858,467
Certificates of deposit		7,300,000
Short-term investments		4,293,464
Total	$	13,451,931

Investment Income

Investment income of $32,112 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	Retirements/ Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 1,105,584	$ -	$ -	$ 1,105,584
Construction in progress	504,138	-	(504,138)	-
Total capital assets, non-depreciable	1,609,722	0	(504,138)	1,105,584
Capital assets, depreciable:				
Water production and distribution facilities	8,414,625	1,840,603	-	10,255,228
Wastewater collection and treatment facilities	12,316,052	3,219,143	-	15,535,195
Drainage facilities	63,952	116,236	-	180,188
Recreational facilities	5,399,061	-	-	5,399,061
Roads	26,304,714	3,983,142	460,003	30,747,859
Total capital assets, depreciable	52,498,404	9,159,124	460,003	62,117,531

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Retirements/ Reclassi- fications	Balances, End of Year
Less accumulated depreciation:				
Water production and distribution facilities	$ (980,852)	$ (234,225)	$ -	$ (1,215,077)
Wastewater collection and treatment facilities	(1,567,187)	(347,175)	-	(1,914,362)
Drainage facilities	(14,081)	(4,008)	-	(18,089)
Recreational facilities	(945,034)	(335,335)	-	(1,280,369)
Roads	(4,434,425)	(1,137,253)	-	(5,571,678)
Total accumulated depreciation	(7,941,579)	(2,057,996)	0	(9,999,575)
Total governmental activities, net	$ 46,166,547	$ 7,101,128	$ (44,135)	$ 53,223,540

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	$ 77,595,000	$ 38,920,000	$ 25,920,000	$ 90,595,000	$ 3,300,000
Add bond premium	-	284,576	-	284,576	-
Less discounts on bonds	2,028,073	436,295	733,298	1,731,070	-
	75,566,927	38,768,281	25,186,702	89,148,506	3,300,000
Developer advances	8,537	-	-	8,537	-
Due to developer	18,550,935	7,502,245	4,792,960	21,260,220	-
Total governmental activities long-term liabilities	$ 94,126,399	$ 46,270,526	$ 29,979,662	$ 110,417,263	$ 3,300,000

General Obligation Bonds

	Series 2007	Series 2008
Amounts outstanding, May 31, 2016	$425,000	$735,000
Interest rates	4.25% to 4.30%	4.90% to 5.75%
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 2009	Series 2010 Road
Amounts outstanding, May 31, 2016	$610,000	$5,155,000
Interest rates	5.00% to 5.50%	3.500% to 5.375%
Maturity dates, serially beginning/ending	September 1, 2016/2020	September 1, 2016/2035
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2018	September 1, 2018

	Series 2010	Series 2011
Amounts outstanding, May 31, 2016	$1,910,000	$11,440,000
Interest rates	3.40% to 4.10%	2.70% 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

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

	Series 2012	Series 2012A Park
Amounts outstanding, May 31, 2016	$3,360,000	$2,530,000
Interest rates	2.000% to 4.375%	2.50% to 4.35%
Maturity dates, serially beginning/ending	September 1, 2016/2038	September 1, 2016/2038
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2019	September 1, 2019

	Series 2012 Road	Series 2014 Park
Amounts outstanding, May 31, 2016	$9,200,000	$2,990,000
Interest rates	2.00% to 3.75%	3.000% to 4.875%
Maturity dates, serially beginning/ending	September 1, 2016/2038	September 1, 2016/2038
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2019	September 1, 2021

	Series 2014A	Series 2014 Road
Amounts outstanding, May 31, 2016	$8,160,000	$5,160,000
Interest rates	2.00% to 3.75%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2016/2039	September 1, 2016/2039
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2022

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

	Refunding Series 2015	Series 2015A
Amounts outstanding, May 31, 2016	$5,175,000	$9,000,000
Interest rates	2.000% to 3.6250%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2016/2032	September 1, 2016/2041
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2023

	Series 2015 Road	Refunding Series 2016
Amounts outstanding, May 31, 2016	$4,160,000	$20,585,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2016/2041	September 1, 2016/2035
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.

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	$ 3,300,000	$ 3,109,982	$ 6,409,982
2018	3,450,000	3,009,142	6,459,142
2019	3,550,000	2,903,040	6,453,040
2020	3,670,000	2,794,181	6,464,181
2021	3,730,000	2,680,026	6,410,026
2022-2026	19,725,000	11,652,498	31,377,498
2027-2031	21,515,000	8,307,029	29,822,029
2032-2036	21,655,000	4,157,603	25,812,603
2037-2041	9,270,000	861,416	10,131,416
2042	730,000	14,600	744,600
Total	$ 90,595,000	$ 39,489,517	$ 130,084,517

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:		
Water, sewer and drainage facilities	$	211,320,000
Recreational facilities		20,360,000
Road facilities		37,500,000
Bonds sold:		
Water, sewer and drainage facilities	$	65,195,000
Recreational facilities		6,085,000
Road facilities		25,595,000
Refunding bonds voted		269,180,000
Refunding bonds authorization used		2,679,298

Due to Developer

The developer of the District has constructed underground utilities, recreational facilities and road facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are $21,260,220, including approximately $12,567,572 of water, sewer and drainage projects, and recreational facilities, and approximately $8,692,648 of road projects. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission (as required) from the proceeds of future bond sales. Recreational facilities bonds are limited in issuance to 1 percent of the taxable value of property within the District. These amounts have been recorded in the financial statements as long-term liabilities.

The developer of the District has advanced $8,537 to the District for operating expenses. The District has agreed to pay these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

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 $0.8000 per $100 of assessed valuation, which resulted in a tax levy of $6,451,732 on the taxable valuation of $806,467,789 for the 2015 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $6,562,958 of which $1,683,687 has been paid and $4,879,271 is due September 1, 2016.

B. In accordance with the Series 2014A, 2014 Road, 2015A, and 2015 Road 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		$ 288,520
Additions:		
Series 2015A	$ 295,525	
Road Series 2015	125,075	
Accrued interest received on bonds at date of sale:		
Series 2015A	10,672	
Road Series 2015	3,127	434,399
Deductions--Appropriations from bond interest paid:		
Series 2014A	158,582	
Road Series 2014	129,938	
Series 2015A	123,135	
Road Series 2015	31,269	442,924
Bond interest reserve, end of year		$ 279,995

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 $0.1700 per $100 of assessed valuation, which resulted in a tax levy of $1,370,992 on the taxable valuation of $806,467,789 for the 2015 tax year. The maintenance tax is being used by the general fund to pay general 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 did not levy an ad valorem recreational facilities maintenance tax.

Note 7: Contract With Other District

The District is served by a regional water supply and wastewater treatment system that is owned and operated by Harris County Municipal Utility District No. 418 (District No. 418), in its capacity as "Master District," pursuant to that certain Contract for Financing, Operation, and Maintenance of Master Water and Sanitary Sewer Facilities, dated August 1, 2006, as amended from time to time, by and between District No. 418 and the District. District No. 418 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 necessary to serve itself, the District and other municipal utility districts that comprise the Bridgeland community.

District No. 418 charges a connection charge to pay for the costs of constructing regional facilities. The current charge is $3,950 per equivalent single-family connection for water supply capacity and $3,219 for wastewater treatment capacity. District No. 418 also charges a wastewater collection connection charge, which varies based on the location of the area to be served by the system, ranging from $0 to $1,890 per equivalent single-family connection. These charges are subject to adjustment annually. Through May 31, 2016, the District has been credited with water and sewer connections with a value of $19,746,736. In addition, District No. 418 is authorized, in certain circumstances, to issue contract revenue bonds sufficient to complete acquisition and construction of the facilities, as needed, to serve all districts in the service area. Once bonds are issued, each participating district would contribute to the debt service requirements of the bonds. The District's voters have approved such a contract-revenue tax proposition.

The contract requires that operations and maintenance costs and a percentage of the administrative costs be paid to the master district on a monthly basis. Additionally, each participant is required to advance funds to the master district to create a 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). During the current year, the District incurred operating charges of $344,208 for water supply and $839,589 for wastewater services. In addition, the District has contributed $243,623 for its share of the water supply reserve and $119,973 for the wastewater treatment reserve. The reserves are subject to adjustment annually.

Note 8: 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 fiscal years.

Note 9: Contingencies

The developer of the District is constructing water, sewer, drainage and paving 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 $33,700,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 10: Refunding bonds

On August 4, 2015, the District sold $5,175,000 in unlimited tax refunding bonds to advance-refund $4,700,000 of outstanding Series 2007 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $402,866 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $293,361.

On February 22, 2016, the District sold $20,585,000 in unlimited tax refunding bonds to advance-refund $18,525,000 of outstanding Series 2007, Series 2008, Series 2009 and Series 2010 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $2,356,525 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $1,751,105.

Required Supplementary Information

Harris County Municipal Utility District No. 419

Budgetary Comparison Schedule – General Fund

Year Ended May 31, 2016

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 933,219	$ 1,347,816	$ 1,373,218	$ 25,402
Water service	957,000	957,000	949,902	(7,098)
Sewer service	998,000	998,000	1,034,886	36,886
Regional water fee	1,015,500	1,015,500	1,032,145	16,645
Penalty and interest	72,000	72,000	58,471	(13,529)
Tap connection and inspection fees	460,256	460,256	575,764	115,508
Investment income	11,788	11,788	12,146	358
Total revenues	4,447,763	4,862,360	5,036,532	174,172
Expenditures				
Service operations:				
Purchased services	902,125	902,125	1,183,797	(281,672)
Regional water fee	1,015,500	1,015,500	1,017,750	(2,250)
Professional fees	215,000	215,000	199,650	15,350
Contracted services	771,910	862,856	844,204	18,652
Utilities	163,000	163,000	192,594	(29,594)
Repairs and maintenance	499,200	499,200	467,256	31,944
Other expenditures	229,268	229,268	192,404	36,864
Tap connections	212,400	212,400	213,205	(805)
Capital outlay	-	-	214,169	(214,169)
Total expenditures	4,008,403	4,099,349	4,525,029	(425,680)
Excess of Revenues Over Expenditures	439,360	763,011	511,503	(251,508)
Fund Balance, Beginning of Year	2,783,844	2,783,844	2,783,844	-
Fund Balance, End of Year	$ 3,223,204	$ 3,546,855	$ 3,295,347	$ (251,508)

Harris County Municipal Utility District No. 419
Notes to Required Supplementary Information
May 31, 2016

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 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 Municipal Utility District No. 419
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 14-31

[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 Municipal Utility District No. 419
Schedule of Services and Rates
Year Ended May 31, 2016

1. Services provided by the District:

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

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

___ Other ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 18.00	5,000	N	$ 1.75	5,001	to	10,000
				$ 2.00	10,001	to	20,000
				$ 2.50	20,001	to	No Limit
Wastewater:	$ 35.60	0	Y				
Regional water fee:	$ 2.85	1,000	N	$ 2.85	1	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 55.25 Wastewater $ 35.60

b. Water and wastewater retail connections:

<u>Meter Size</u>	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,961	1,957	x1.0	1,957
1"	553	552	x2.5	1,380
1 1/2"	3	3	x5.0	15
2"	26	25	x8.0	200
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	2	2	x50.0	100
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	2,548	2,542		3,827
Total wastewater	2,479	2,474	x1.0	2,474

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	395,421
Gallons billed to customers:	395,421
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 419

Schedule of General Fund Expenditures

Year Ended May 31, 2016

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 20,800	
Legal	66,074	
Engineering	112,776	
Financial advisor	-	199,650
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,183,797
Regional Water Fee		1,017,750
Contracted Services		
Bookkeeping	28,340	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	338,223	366,563
Utilities		192,594
Repairs and Maintenance		467,256
Administrative Expenditures		
Directors' fees	9,450	
Office supplies	12,265	
Insurance	10,615	
Other administrative expenditures	160,074	192,404
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	214,169	214,169
Tap Connection Expenditures		213,205
Solid Waste Disposal		477,641
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 4,525,029

Harris County Municipal Utility District No. 419

Schedule of Temporary Investments

May 31, 2016

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 1002101937	0.60%	03/11/17	$ 240,000	$ 320
No. 317	0.40%	09/15/16	240,000	429
No. 83043323	0.20%	06/07/16	240,000	145
No. 66000349	0.35%	10/08/16	240,000	253
No. 100141673	0.50%	05/01/17	240,000	99
No. 1111014345	0.20%	07/09/16	100,000	179
No. 1112822615	0.20%	08/31/16	140,000	183
No. 335232	0.21%	08/25/16	240,000	338
No. 2200001282	0.45%	12/18/16	240,000	293
No. 306597	0.50%	11/14/16	240,000	437
No. 4188941	0.40%	10/22/16	140,000	340
No. 5010186	0.50%	10/09/16	100,000	321
No. 0460018457	0.25%	01/06/17	240,000	180
No. 13761	0.51%	02/10/17	240,000	368
No. 3116002895	0.40%	04/24/17	240,000	100
No. 6000022910	0.35%	09/12/16	240,000	174
No. 2003247	0.25%	06/28/16	100,000	232
TexasClass	0.60%	Demand	197,067	-
			3,657,067	4,391
Debt Service Fund				
Certificates of Deposit				
No. 1002461612	0.50%	08/14/16	$ 240,000	$ 345
No. 312	0.40%	08/14/16	240,000	276
No. 660000351	0.35%	08/14/16	240,000	239
No. 100141928	0.30%	08/14/16	240,000	207
No. 9009003882	0.40%	08/15/16	240,000	276
No. 1113227834	0.20%	08/15/16	240,000	137
No. 358630	0.20%	08/20/16	240,000	133
No. 531531	0.45%	08/23/16	240,000	284
No. 306589	0.40%	08/14/16	240,000	276
No. 4188747	0.30%	08/20/16	240,000	199
No. 5024203	0.50%	08/19/16	240,000	937
No. 460018250	0.30%	08/19/16	240,000	562
No. 13772	0.40%	08/15/16	240,000	274
No. 3216000087	0.35%	08/18/16	240,000	237
No. 6000019940	0.50%	08/19/16	240,000	937
No. 2003399	0.25%	08/19/16	240,000	469
TexasClass	0.60%	Demand	4,096,397	-
			7,936,397	5,788
Totals			$ 11,593,464	$ 10,179

Harris County Municipal Utility District No. 419

Analysis of Taxes Levied and Receivable

Year Ended May 31, 2016

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 10,610	$ 63,770
Additions and corrections to prior years' taxes	5,074	33,946
Adjusted receivable, beginning of year	15,684	97,716
2015 Original Tax Levy	1,220,277	5,742,482
Additions and corrections	150,715	709,250
Adjusted tax levy	1,370,992	6,451,732
Total to be accounted for	1,386,676	6,549,448
Tax collections: Current year	(1,361,241)	(6,405,846)
Prior years	(11,976)	(78,513)
Receivable, end of year	$ 13,459	$ 65,089
Receivable, by Years		
2015	$ 9,751	$ 45,886
2014	1,574	10,532
2013	1,217	5,188
2012	580	2,643
2011	71	322
2010	70	322
2009	196	196
Receivable, end of year	$ 13,459	$ 65,089

Harris County Municipal Utility District No. 419
Analysis of Taxes Levied and Receivable (Continued)
Year Ended May 31, 2016

	2015	2014	2013	2012
Property Valuations				
Land	$ 175,547,234	$ 147,499,102	$ 121,142,480	$ 106,131,178
Improvements	645,595,354	554,404,918	455,026,551	347,002,623
Personal property	5,400,874	4,668,541	5,733,502	2,845,067
Exemptions	(20,075,673)	(21,233,848)	(11,261,696)	(6,836,313)
Total property valuations	$ 806,467,789	$ 685,338,713	$ 570,640,837	$ 449,142,555
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.8000	$ 0.8700	$ 0.8100	$ 0.8200
Maintenance tax rates*	0.1700	0.1300	0.1900	0.1800
Total tax rates per $100 valuation	$ 0.9700	$ 1.0000	$ 1.0000	$ 1.0000
Tax Levy	$ 7,822,724	$ 6,853,388	$ 5,706,409	$ 4,491,426
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 Municipal Utility District No. 419

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		$ 205,000	$ 13,816	$ 218,816
2018		220,000	4,730	224,730
	Totals	$ 425,000	$ 18,546	$ 443,546

Harris County Municipal Utility District No. 419

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

May 31, 2016

		Series 2008		
Due During Fiscal Years Ending May 31		Principal Due September 1	Interest Due September 1, March 1	Total
2017		$ 230,000	$ 33,317	$ 263,317
2018		245,000	19,723	264,723
2019		260,000	6,370	266,370
	Totals	$ 735,000	$ 59,410	$ 794,410

Harris County Municipal Utility District No. 419

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	Interest Due September 1, March 1	Total
2017		$ 110,000	$ 29,322	$ 139,322
2018		115,000	23,588	138,588
2019		120,000	17,562	137,562
2020		130,000	10,919	140,919
2021		135,000	3,713	138,713
	Totals	$ 610,000	$ 85,104	$ 695,104

Harris County Municipal Utility District No. 419
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

		Series 2010 Road	
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 145,000	$ 251,865	$ 396,865
2018	155,000	246,518	401,518
2019	160,000	240,509	400,509
2020	170,000	233,803	403,803
2021	180,000	226,471	406,471
2022	190,000	218,490	408,490
2023	200,000	209,834	409,834
2024	215,000	200,389	415,389
2025	225,000	189,819	414,819
2026	240,000	178,194	418,194
2027	250,000	165,944	415,944
2028	265,000	152,903	417,903
2029	280,000	138,938	418,938
2030	300,000	124,075	424,075
2031	315,000	108,316	423,316
2032	335,000	91,241	426,241
2033	350,000	72,831	422,831
2034	370,000	53,481	423,481
2035	395,000	32,921	427,921
2036	415,000	11,153	426,153
Totals	$ 5,155,000	$ 3,147,695	$ 8,302,695

Harris County Municipal Utility District No. 419

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		$ 275,000	$ 68,659	$ 343,659
2018		290,000	58,765	348,765
2019		310,000	47,655	357,655
2020		325,000	35,265	360,265
2021		345,000	21,865	366,865
2022		365,000	7,483	372,483
	Totals	$ 1,910,000	$ 239,692	$ 2,149,692

Harris County Municipal Utility District No. 419

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	$ 520,000	$ 487,630	$ 1,007,630
2018	520,000	473,070	993,070
2019	520,000	457,210	977,210
2020	520,000	440,050	960,050
2021	520,000	421,590	941,590
2022	520,000	401,830	921,830
2023	520,000	381,290	901,290
2024	520,000	359,970	879,970
2025	520,000	337,870	857,870
2026	520,000	315,250	835,250
2027	520,000	292,110	812,110
2028	520,000	268,450	788,450
2029	520,000	244,270	764,270
2030	520,000	219,375	739,375
2031	520,000	194,025	714,025
2032	520,000	168,675	688,675
2033	520,000	143,000	663,000
2034	520,000	117,000	637,000
2035	520,000	91,000	611,000
2036	520,000	65,000	585,000
2037	520,000	39,000	559,000
2038	520,000	13,000	533,000
Totals	$ 11,440,000	$ 5,930,665	$ 17,370,665

Harris County Municipal Utility District No. 419

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

May 31, 2016

Due During Fiscal Years Ending May 31	Series 2012 Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 75,000	$ 132,261	$ 207,261
2018	80,000	130,711	210,711
2019	85,000	128,934	213,934
2020	90,000	126,785	216,785
2021	95,000	124,263	219,263
2022	100,000	121,409	221,409
2023	105,000	118,176	223,176
2024	110,000	114,464	224,464
2025	115,000	110,299	225,299
2026	125,000	105,614	230,614
2027	130,000	100,449	230,449
2028	135,000	94,949	229,949
2029	145,000	89,033	234,033
2030	155,000	82,619	237,619
2031	160,000	75,845	235,845
2032	170,000	68,688	238,688
2033	180,000	61,031	241,031
2034	190,000	52,938	242,938
2035	200,000	44,406	244,406
2036	210,000	35,438	245,438
2037	220,000	26,031	246,031
2038	235,000	16,078	251,078
2039	250,000	5,469	255,469
Totals	$ 3,360,000	$ 1,965,890	$ 5,325,890

Harris County Municipal Utility District No. 419

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

May 31, 2016

	Series 2012A Park		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 110,000	$ 95,535	$ 205,535
2018	110,000	92,785	202,785
2019	110,000	89,898	199,898
2020	110,000	86,735	196,735
2021	110,000	83,298	193,298
2022	110,000	79,585	189,585
2023	110,000	75,598	185,598
2024	110,000	71,335	181,335
2025	110,000	66,935	176,935
2026	110,000	62,535	172,535
2027	110,000	58,135	168,135
2028	110,000	53,735	163,735
2029	110,000	49,253	159,253
2030	110,000	44,687	154,687
2031	110,000	40,122	150,122
2032	110,000	35,558	145,558
2033	110,000	30,992	140,992
2034	110,000	26,317	136,317
2035	110,000	21,532	131,532
2036	110,000	16,747	126,747
2037	110,000	11,962	121,962
2038	110,000	7,178	117,178
2039	110,000	2,393	112,393
Totals	$ 2,530,000	$ 1,202,850	$ 3,732,850

Harris County Municipal Utility District No. 419
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2016

Due During Fiscal Years Ending May 31	Series 2012 Road Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 400,000	$ 290,500	$ 690,500
2018	400,000	282,500	682,500
2019	400,000	274,100	674,100
2020	400,000	264,900	664,900
2021	400,000	254,900	654,900
2022	400,000	244,100	644,100
2023	400,000	232,500	632,500
2024	400,000	220,500	620,500
2025	400,000	208,250	608,250
2026	400,000	195,500	595,500
2027	400,000	182,500	582,500
2028	400,000	169,000	569,000
2029	400,000	155,000	555,000
2030	400,000	141,000	541,000
2031	400,000	126,750	526,750
2032	400,000	112,250	512,250
2033	400,000	97,500	497,500
2034	400,000	82,500	482,500
2035	400,000	67,500	467,500
2036	400,000	52,500	452,500
2037	400,000	37,500	437,500
2038	400,000	22,500	422,500
2039	400,000	7,500	407,500
Totals	$ 9,200,000	$ 3,721,750	$ 12,921,750

Harris County Municipal Utility District No. 419

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

May 31, 2016

Due During Fiscal Years Ending May 31	Series 2014 Park Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 130,000	$ 116,838	$ 246,838
2018	130,000	112,940	242,940
2019	130,000	109,038	239,038
2020	130,000	105,137	235,137
2021	130,000	101,238	231,238
2022	130,000	97,337	227,337
2023	130,000	93,438	223,438
2024	130,000	88,887	218,887
2025	130,000	83,688	213,688
2026	130,000	78,487	208,487
2027	130,000	73,288	203,288
2028	130,000	68,087	198,087
2029	130,000	62,888	192,888
2030	130,000	57,524	187,524
2031	130,000	51,919	181,919
2032	130,000	46,231	176,231
2033	130,000	40,463	170,463
2034	130,000	34,531	164,531
2035	130,000	28,437	158,437
2036	130,000	22,181	152,181
2037	130,000	15,843	145,843
2038	130,000	9,506	139,506
2039	130,000	3,169	133,169
Totals	$ 2,990,000	$ 1,501,095	$ 4,491,095

Harris County Municipal Utility District No. 419

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

May 31, 2016

	Series 2014A		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 340,000	$ 235,875	$ 575,875
2018	340,000	229,075	569,075
2019	340,000	222,275	562,275
2020	340,000	215,475	555,475
2021	340,000	208,675	548,675
2022	340,000	201,875	541,875
2023	340,000	194,438	534,438
2024	340,000	186,150	526,150
2025	340,000	177,438	517,438
2026	340,000	167,875	507,875
2027	340,000	157,675	497,675
2028	340,000	147,475	487,475
2029	340,000	137,275	477,275
2030	340,000	126,650	466,650
2031	340,000	115,600	455,600
2032	340,000	104,337	444,337
2033	340,000	92,650	432,650
2034	340,000	80,750	420,750
2035	340,000	68,850	408,850
2036	340,000	56,950	396,950
2037	340,000	44,625	384,625
2038	340,000	31,875	371,875
2039	340,000	19,125	359,125
2040	340,000	6,375	346,375
Totals	$ 8,160,000	$ 3,229,363	$ 11,389,363

Harris County Municipal Utility District No. 419

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

May 31, 2016

Due During Fiscal Years Ending May 31	Series 2014 Road Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 215,000	$ 160,713	$ 375,713
2018	215,000	156,413	371,413
2019	215,000	152,113	367,113
2020	215,000	147,813	362,813
2021	215,000	142,437	357,437
2022	215,000	135,987	350,987
2023	215,000	129,537	344,537
2024	215,000	123,087	338,087
2025	215,000	116,637	331,637
2026	215,000	110,187	325,187
2027	215,000	103,737	318,737
2028	215,000	97,019	312,019
2029	215,000	90,031	305,031
2030	215,000	83,044	298,044
2031	215,000	75,922	290,922
2032	215,000	68,666	283,666
2033	215,000	61,275	276,275
2034	215,000	53,750	268,750
2035	215,000	46,091	261,091
2036	215,000	38,297	253,297
2037	215,000	30,100	245,100
2038	215,000	21,500	236,500
2039	215,000	12,900	227,900
2040	215,000	4,300	219,300
Totals	$ 5,160,000	$ 2,161,556	$ 7,321,556

Harris County Municipal Utility District No. 419

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	$ 50,000	$ 153,663	$ 203,663
2018	50,000	152,662	202,662
2019	50,000	151,663	201,663
2020	55,000	150,612	205,612
2021	310,000	145,413	455,413
2022	320,000	137,563	457,563
2023	330,000	130,236	460,236
2024	340,000	121,863	461,863
2025	355,000	112,731	467,731
2026	365,000	102,375	467,375
2027	375,000	91,275	466,275
2028	390,000	79,800	469,800
2029	405,000	67,622	472,622
2030	420,000	54,469	474,469
2031	435,000	40,303	475,303
2032	455,000	25,000	480,000
2033	470,000	8,519	478,519
Totals	$ 5,175,000	$ 1,725,769	$ 6,900,769

Harris County Municipal Utility District No. 419

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

May 31, 2016

Due During Fiscal Years Ending May 31	Series 2015A Principal Due September 1	Series 2015A Interest Due September 1, March 1	Series 2015A Total
2017	$ 200,000	$ 292,525	$ 492,525
2018	225,000	286,150	511,150
2019	260,000	278,875	538,875
2020	300,000	270,475	570,475
2021	300,000	261,475	561,475
2022	300,000	253,975	553,975
2023	300,000	247,787	547,787
2024	300,000	241,225	541,225
2025	300,000	234,100	534,100
2026	300,000	226,225	526,225
2027	300,000	217,600	517,600
2028	300,000	208,600	508,600
2029	300,000	199,413	499,413
2030	300,000	189,850	489,850
2031	300,000	179,912	479,912
2032	300,000	169,600	469,600
2033	300,000	159,100	459,100
2034	300,000	148,600	448,600
2035	300,000	137,913	437,913
2036	500,000	123,413	623,413
2037	500,000	104,975	604,975
2038	500,000	86,225	586,225
2039	500,000	67,475	567,475
2040	500,000	48,725	548,725
2041	500,000	29,975	529,975
2042	515,000	10,300	525,300
Totals	$ 9,000,000	$ 4,674,488	$ 13,674,488

Harris County Municipal Utility District No. 419

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

May 31, 2016

	Series 2015 Road		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1, March 1	Total
2017	$ 210,000	$ 122,975	$ 332,975
2018	150,000	119,375	269,375
2019	150,000	116,375	266,375
2020	150,000	113,375	263,375
2021	150,000	110,375	260,375
2022	150,000	107,375	257,375
2023	150,000	104,375	254,375
2024	150,000	101,188	251,188
2025	150,000	97,719	247,719
2026	150,000	94,063	244,063
2027	150,000	89,938	239,938
2028	150,000	85,436	235,436
2029	150,000	80,938	230,938
2030	150,000	76,438	226,438
2031	150,000	71,843	221,843
2032	150,000	67,063	217,063
2033	150,000	62,094	212,094
2034	150,000	56,937	206,937
2035	150,000	51,688	201,688
2036	150,000	46,343	196,343
2037	150,000	40,812	190,812
2038	175,000	34,500	209,500
2039	175,000	27,500	202,500
2040	175,000	20,500	195,500
2041	210,000	12,800	222,800
2042	215,000	4,300	219,300
Totals	$ 4,160,000	$ 1,916,325	$ 6,076,325

Harris County Municipal Utility District No. 419

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	$ 85,000	$ 624,488	$ 709,488
2018	205,000	620,137	825,137
2019	440,000	610,463	1,050,463
2020	735,000	592,837	1,327,837
2021	500,000	574,313	1,074,313
2022	665,000	556,837	1,221,837
2023	1,075,000	530,738	1,605,738
2024	1,120,000	503,412	1,623,412
2025	1,155,000	480,663	1,635,663
2026	1,185,000	455,781	1,640,781
2027	1,215,000	427,262	1,642,262
2028	1,255,000	396,388	1,651,388
2029	1,295,000	354,800	1,649,800
2030	1,360,000	308,500	1,668,500
2031	1,405,000	267,025	1,672,025
2032	1,455,000	224,125	1,679,125
2033	1,510,000	179,650	1,689,650
2034	1,565,000	125,700	1,690,700
2035	1,635,000	61,700	1,696,700
2036	725,000	14,500	739,500
Totals	$ 20,585,000	$ 7,909,319	$ 28,494,319

Harris County Municipal Utility District No. 419

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	$ 3,300,000	$ 3,109,982	$ 6,409,982
2018	3,450,000	3,009,142	6,459,142
2019	3,550,000	2,903,040	6,453,040
2020	3,670,000	2,794,181	6,464,181
2021	3,730,000	2,680,026	6,410,026
2022	3,805,000	2,563,846	6,368,846
2023	3,875,000	2,447,947	6,322,947
2024	3,950,000	2,332,470	6,282,470
2025	4,015,000	2,216,149	6,231,149
2026	4,080,000	2,092,086	6,172,086
2027	4,135,000	1,959,913	6,094,913
2028	4,210,000	1,821,842	6,031,842
2029	4,290,000	1,669,461	5,959,461
2030	4,400,000	1,508,231	5,908,231
2031	4,480,000	1,347,582	5,827,582
2032	4,580,000	1,181,434	5,761,434
2033	4,675,000	1,009,105	5,684,105
2034	4,290,000	832,504	5,122,504
2035	4,395,000	652,038	5,047,038
2036	3,715,000	482,522	4,197,522
2037	2,585,000	350,848	2,935,848
2038	2,625,000	242,362	2,867,362
2039	2,120,000	145,531	2,265,531
2040	1,230,000	79,900	1,309,900
2041	710,000	42,775	752,775
2042	730,000	14,600	744,600
Totals	$ 90,595,000	$ 39,489,517	$ 130,084,517

Harris County Municipal Utility District No. 419

Changes in Long-term Bonded Debt

Year Ended May 31, 2016

	Bond			
	Series 2007	Series 2008	Series 2009	Series 2010 Road
Interest rates	4.25% to 4.30%	4.90% to 5.75%	5.00% to 5.50%	3.500% to 5.375%
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, 2016/2020	September 1, 2016/2035
Bonds outstanding, beginning of current year	$ 5,795,000	$ 7,870,000	$ 3,665,000	$ 5,290,000
Bonds sold during current year	-	-	-	-
Principal refunded	5,175,000	6,915,000	2,955,000	-
Retirements, principal	195,000	220,000	100,000	135,000
Bonds outstanding, end of current year	$ 425,000	$ 735,000	$ 610,000	$ 5,155,000
Interest paid during current year	$ 156,735	$ 402,499	$ 210,073	$ 256,765

Paying agent's name and address:

Series 2007	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2008	- 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 Road	- 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 2012A Park	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2012 Road	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014 Park	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014A	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014 Road	- 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 2015 Road	- 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	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 211,320,000	$ 20,360,000	$ 37,500,000	$ 269,180,000
Amount issued	$ 65,195,000	$ 6,085,000	$ 25,595,000	$ 2,679,298
Remaining to be issued	$ 146,125,000	$ 14,275,000	$ 11,905,000	$ 266,500,702

Debt service fund cash and temporary investment balances as of May 31, 2016:	$ 8,506,223
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 5,003,251

Issues

Series 2010	Series 2011	Series 2012	Series 2012A Park	Series 2012 Road
3.40% to 4.10%	2.70% to 5.00%	2.000% to 4.375%	2.50% to 4.35%	2.00% to 3.75%
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
September 1, 2016/2021	September 1, 2016/2037	September 1, 2016/2038	September 1, 2016/2038	September 1, 2016/2038
$ 10,350,000	$ 11,960,000	$ 3,435,000	$ 2,640,000	$ 9,600,000
-	-	-	-	-
8,180,000	-	-	-	-
260,000	520,000	75,000	110,000	400,000
$ 1,910,000	$ 11,440,000	$ 3,360,000	$ 2,530,000	$ 9,200,000
$ 471,340	$ 501,150	$ 133,761	$ 98,285	$ 298,500

Harris County Municipal Utility District No. 419

Changes in Long-term Bonded Debt (Continued)

Year Ended May 31, 2016

	Series 2014 Park	Series 2014A	Series 2014 Road	Bond Refunding Series 2015
Interest rates	3.000% to 4.875%	2.00% to 3.75%	2.00% to 4.00%	2.000% to 3.625%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2016/2038	September 1, 2016/2039	September 1, 2016/2039	September 1, 2016/2032
Bonds outstanding, beginning of current year	$ 3,120,000	$ 8,500,000	$ 5,370,000	$ -
Bonds sold during current year	-	-	-	5,175,000
Principal refunded	-	-	-	-
Retirements, principal	130,000	340,000	210,000	-
Bonds outstanding, end of current year	$ 2,990,000	$ 8,160,000	$ 5,160,000	$ 5,175,000
Interest paid during current year	$ 120,738	$ 242,675	$ 164,963	$ 77,081

Issues

Series 2015A	Series 2015 Road	Refunding Series 2016	Totals
2.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2016/2041	September 1, 2016/2041	September 1, 2016/2035	
$ -	$ -	$ -	$ 77,595,000
9,000,000	4,160,000	20,585,000	38,920,000
-	-	-	23,225,000
-	-	-	2,695,000
$ 9,000,000	$ 4,160,000	$ 20,585,000	$ 90,595,000
$ 123,135	$ 31,269	$ 0	$ 3,288,969

Harris County Municipal Utility District No. 419

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended May 31,

	Amounts				
	2016	2015	2014	2013	2012
General Fund					
Revenues					
Property taxes	$ 1,373,218	$ 887,331	$ 1,081,895	$ 806,608	$ 662,670
Water service	949,902	852,123	918,427	784,585	702,029
Sewer service	1,034,886	938,339	889,190	810,529	627,015
Regional water fee	1,032,145	789,633	769,810	559,837	460,107
Penalty and interest	58,471	65,077	104,602	50,944	40,221
Tap connection and inspection fees	575,764	245,410	279,403	443,519	371,079
Investment income	12,146	10,963	7,913	5,874	7,251
Total revenues	5,036,532	3,788,876	4,051,240	3,461,896	2,870,372
Expenditures					
Service operations:					
Purchased services	1,183,797	865,967	857,313	928,689	794,752
Regional water fee	1,017,750	843,022	885,415	541,834	436,273
Professional fees	199,650	157,752	165,261	177,036	172,914
Contracted services	844,204	772,711	674,985	650,577	475,637
Utilities	192,594	164,748	143,456	148,213	124,565
Repairs and maintenance	467,256	456,799	308,487	255,578	321,469
Other expenditures	192,404	170,047	188,267	146,580	53,733
Tap connections	213,205	85,432	35,143	218,935	130,931
Capital outlay	214,169	44,135	-	127,766	63,971
Total expenditures	4,525,029	3,560,613	3,258,327	3,195,208	2,574,245
Excess of Revenues Over Expenditures	511,503	228,263	792,913	266,688	296,127
Fund Balance, Beginning of Year	2,783,844	2,555,581	1,762,668	1,495,980	1,199,853
Fund Balance, End of Year	$ 3,295,347	$ 2,783,844	$ 2,555,581	$ 1,762,668	$ 1,495,980
Total Active Retail Water Connections	2,542	2,338	2,166	1,990	1,737
Total Active Retail Wastewater Connections	2,474	2,287	2,126	2,049	1,702

Percent of Fund Total Revenues				
2016	2015	2014	2013	2012
27.3 %	23.4 %	26.7 %	23.3 %	23.1 %
18.9	22.5	22.7	22.6	24.5
20.5	24.8	21.9	23.4	21.8
20.5	20.8	19.0	16.2	16.0
1.2	1.7	2.6	1.5	1.4
11.4	6.5	6.9	12.8	12.9
0.2	0.3	0.2	0.2	0.3
100.0	100.0	100.0	100.0	100.0
23.5	22.9	21.2	26.8	27.7
20.2	22.2	21.8	15.7	15.2
4.0	4.2	4.1	5.1	6.0
16.8	20.4	16.7	18.8	16.6
3.8	4.3	3.5	4.3	4.3
9.3	12.1	7.6	7.4	11.2
3.8	4.5	4.6	4.2	1.9
4.2	2.3	0.9	6.3	4.6
4.3	1.1	-	3.7	2.2
89.9	94.0	80.4	92.3	89.7
10.1 %	6.0 %	19.6 %	7.7 %	10.3 %

Harris County Municipal Utility District No. 419

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	$ 6,484,359	$ 5,928,228	$ 4,613,199	$ 3,673,730	$ 3,016,210
Penalty and interest	52,972	18,123	31,122	35,110	22,439
Investment income	18,449	12,837	15,636	20,031	22,645
Other income	-	-	191,933	-	-
Total revenues	6,555,780	5,959,188	4,851,890	3,728,871	3,061,294
Expenditures					
Current:					
Professional fees	6,365	2,583	7,424	4,521	5,160
Contracted services	93,424	81,883	69,272	60,076	46,059
Other expenditures	3,080	3,612	2,653	3,032	11,359
Debt service:					
Principal retirement	2,695,000	2,070,000	1,805,000	770,000	680,000
Interest and fees	3,285,363	2,968,907	2,774,214	2,506,858	1,970,256
Debt issuance costs	880,336	-	-	-	-
Debt defeasance	17,000	-	-	-	-
Total expenditures	6,980,568	5,126,985	4,658,563	3,344,487	2,712,834
Excess (Deficiency) of Revenues Over Expenditures	(424,788)	832,203	193,327	384,384	348,460
Other Financing Sources					
General obligation bonds issued	26,180,600	413,137	125,837	717,121	533,650
Premium on debt issued	284,576	-	-	-	-
Discount on debt issued	(79,171)	-	-	-	-
Deposit with escrow agent	(25,082,444)	-	-	-	-
Total other financing sources	1,303,561	413,137	125,837	717,121	533,650
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	878,773	1,245,340	319,164	1,101,505	882,110
Fund Balance, Beginning of Year	7,754,539	6,509,199	6,190,035	5,088,530	4,206,420
Fund Balance, End of Year	$ 8,633,312	$ 7,754,539	$ 6,509,199	$ 6,190,035	$ 5,088,530

Percent of Fund Total Revenues				
2016	2015	2014	2013	2012
98.9 %	99.5 %	95.1 %	98.6 %	98.5 %
0.8	0.3	0.6	0.9	0.7
0.3	0.2	0.3	0.5	0.8
-	-	4.0	-	-
100.0	100.0	100.0	100.0	100.0
0.1	0.0	0.2	0.1	0.2
1.4	1.4	1.4	1.6	1.5
0.0	0.1	0.0	0.1	0.4
41.1	34.7	37.2	20.7	22.2
50.1	49.8	57.2	67.2	64.3
13.4	-	-	-	-
0.3	-	-	-	-
106.4	86.0	96.0	89.7	88.6
(6.4) %	14.0 %	4.0 %	10.3 %	11.4 %

Harris County Municipal Utility District No. 419

Board Members, Key Personnel and Consultants

Year Ended May 31, 2016

Complete District mailing address:	Harris County Municipal Utility District No. 419 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 9, 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
Stephanie Gay	Elected 05/14-05/18	$ 2,400	$ 1,426	President
Robert M. Shaw	Elected 05/16-05/20	150	0	Vice President
Pamela Gray	Appointed 06/15-05/18	1,800	353	Secretary
Robert G. Thomas	Elected 05/16-05/20	150	0	Assistant Secretary
Radney Poole	Elected 05/16-05/20	150	0	Director

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

Harris County Municipal Utility District No. 419
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
Cathy Brittain-Drew	Elected 05/12-05/16	$ 1,800	$ 471	Term Ended
William E. Damewood	Elected 05/12-05/16	1,500	0	Term Ended
Stephanie M. Russ	Elected 05/12-05/16	1,500	0	Term Ended

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

Harris County Municipal Utility District No. 419

Board Members, Key Personnel and Consultants (Continued)

Year Ended May 31, 2016

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	06/12/06	$ 51,800	Auditor
BGE, Inc.	04/15/05	171,117	Engineer
FirstSouthwest, a Division of Hilltop Securities Inc.	04/15/05	512,060	Financial Advisor
Harris County Appraisal District	Legislative Action	58,487	Appraiser
Municipal Accounts & Consulting, L.P.	03/03/05	39,529	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/21/06	6,365	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	03/03/05	105,696 560,231	Attorney/ Bond Counsel
Severn Trent Services	06/13/05	729,698	Operator
Wheeler & Associates, Inc.	03/03/05	40,831	Tax Assessor/ Collector

Investment Officers			
Mark M. Burton and Ghia Lewis	06/13/05	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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