

**OFFICIAL STATEMENT DATED APRIL 11, 2018**

*IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152 AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.*

*The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."*

**NEW ISSUE - Book-Entry-Only**

**Ratings: S&P Global Ratings (AGM Insured) . . . "AA" (stable outlook)  
 Moody's Investors Service (AGM Insured)..... "A2" (stable outlook)  
 Moody's Investors Service (Underlying)..... "Baa3"  
 See "BOND INSURANCE" and "RATINGS" herein**

**\$3,220,000  
 FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152  
 (A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)  
 UNLIMITED TAX BONDS, SERIES 2018**

**Dated: May 1, 2018**

**Due: September 1, as shown below**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from May 1, 2018, and is payable on March 1, 2019 (ten-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

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



**MATURITY SCHEDULE  
 CUSIP Prefix (a) 34682L**

**\$1,345,000 Serial Bonds**

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>	<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$85,000	2020	5.50%	2.00%	DU8	\$115,000	2026(c)	3.000%	3.00%	EA1
90,000	2021	5.50	2.20	DV6	120,000	2027(c)	3.000	3.05	EB9
95,000	2022	5.50	2.35	DW4	125,000	2028(c)	3.000	3.15	EC7
95,000	2023	5.50	2.50	DX2	130,000	2029(c)	3.000	3.20	ED5
100,000	2024(c)	5.50	2.51	DY0	135,000	2030(c)	3.000	3.30	EE3
110,000	2025(c)	4.00	2.85	DZ7	145,000	2031(c)	3.125	3.35	EF0

**\$305,000 Term Bonds, Due September 1, 2033(c)(d), CUSIP Suffix EH6(a), Interest Rate 3.25% (Yield 3.45%)(b)  
 \$340,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix EK9(a), Interest Rate 3.375% (Yield 3.55%)(b)  
 \$370,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix EM5(a), Interest Rate 3.50% (Yield 3.65%)(b)  
 \$410,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix EP8(a), Interest Rate 3.625% (Yield 3.75%)(b)  
 \$450,000 Term Bonds, Due September 1, 2041(c)(d), CUSIP Suffix ER4(a), Interest Rate 3.625% (Yield 3.79%)(b)**

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (hereinafter defined), the Financial Advisor (hereinafter defined), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) The Bonds, including the Term Bonds, maturing on and after September 1, 2024, are subject to redemption prior to maturity at the option of Fort Bend County Municipal Utility District No. 152 (the "District"), as a whole or in part, on September 1, 2023, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of \$42,970,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$25,782,000 for refunding such bonds, and \$7,355,000 for parks and recreational facilities. Following the issuance of the Bonds, \$28,320,000 principal amount of unlimited tax bonds authorized by the District's voters for acquiring and constructing the System, and all of such bonds that have been authorized for parks and recreational facilities or for refunding bonds issued for the purpose of acquiring and constructing the System will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Rosenberg, Texas, or Fort Bend County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Rosenberg, Texas, or Fort Bend County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form is expected on or about May 15, 2018, at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.



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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

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

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

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

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by a syndicate managed by SAMCO Capital Markets Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.0% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.725745% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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

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

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

### **Securities Laws**

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) 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 C” to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and 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 January 23, 2018, 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.

On June 26, 2017, S&P issued a research update 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.

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, 2017.

#### *Capitalization of AGM*

At December 31, 2017:

- The policyholders' surplus of AGM was approximately \$2,254 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,108 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.



- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,657 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following document 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: the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018).

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

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

#### *Miscellaneous Matters*

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

### **BOND INSURANCE RISK FACTORS**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured

by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “BOND INSURANCE” and “RATINGS” herein. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” the rating of the Insurer’s creditworthiness by any rating agency does not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

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 Underwriters 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 “BOND INSURANCE” herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

### **RATINGS**

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”) and “A2” (stable outlook) from Moody’s Investors Service (“Moody’s”) based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s is “Baa3.”

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

The District is not aware of any ratings assigned the Bonds other than the ratings of Moody’s and S&P. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

## OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

### THE BONDS

The Issuer ..... Fort Bend County Municipal Utility District No. 152 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

The Issue ..... Fort Bend County Municipal Utility District No. 152 Unlimited Tax Bonds, Series 2018, in the aggregate principal amount of \$3,220,000. \$1,345,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2020 through 2031, inclusive, in the principal amounts set forth on the cover page of this Official Statement. \$1,875,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2033, 2035, 2037, 2039 and 2041 (collectively, the “Term Bonds”), in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds accrues from May 1, 2018, at the rates shown on the cover hereof, and is payable on March 1, 2019 (ten-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2024, are subject to redemption, in whole or in part from time to time, at the option of the District on September 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions,” which amounts are subject to reduction by prior cancellation and optional redemption. The Term Bonds to be mandatorily redeemed shall be selected by lot or other customary method of random selection. If fewer than all of the Bonds are optionally redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amount, and if fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Bonds are issued in fully registered form only, transferrable only upon presentation to the Registrar. The Bonds are issued in the denomination of \$5,000 each, or integral multiples thereof. See “THE BONDS - General” and - “Redemption Provisions.”

Source of Payment .....	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of Payment.”
Payment Record .....	The Bonds constitute the fifth series of unlimited tax bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”) and Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”) (collectively the “Prior Bonds”). The District has timely made all payments on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$11,015,000 (the “Outstanding Bonds”).
Principal Use of Proceeds .....	Proceeds of the sale of the Bonds will be used by the District to (i) make payment to the Developer (defined below under the caption “Developer”) for the cost of acquisition or construction of (a) Phase I detention pond Phase IV and ultimate construction thereof and water, wastewater, and drainage facilities to serve Walnut Creek, Sections 4, 6 through 8 and 10; (ii) pay engineering fees associated with the foregoing projects; (iii) pay interest to such Developer on advances that have been made on behalf of the District; (iv) pay the principal of and accrued interest on the District’s \$1,705,000 Bond Anticipation Note, Series 2017 (the “BAN”), the proceeds of the sale of which the District utilized to interim finance a portion of the cost of the aforementioned items; and (v) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, fees to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) and the Attorney General of Texas, engineering fees, a review fee to the City of Rosenberg, and certain financing costs related to the issuance of the BAN and the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Municipal Bond Insurance .....	Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE.”
Municipal Bond Ratings .....	S&P Global Ratings (AGM insured) “AA” (stable outlook). Moody’s Investors Service (AGM insured) “A2” (stable outlook). Moody’s Investors Service (Underlying) “Baa3.” See “BOND INSURANCE” and “RATINGS.”

**THE DISTRICT**

Description .....	Fort Bend County Municipal Utility District No. 152, a political subdivision of the State of Texas, was created by the TCEQ, on July 15, 2005, and operates pursuant to Chapters 49
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and 54 of the Texas Water Code. The District contains approximately 456.7 acres of land. The District is located entirely within Fort Bend County, Texas. The District is located partially (approximately 397 acres) within the extraterritorial jurisdiction of the City of Rosenberg, Texas (the “City”), and partially (approximately 60 acres) within the corporate boundaries of the City. The District is located approximately 25 miles southwest of the central business district of the City of Houston. The District is located south of U.S. Highway 59 and F.M. 762 and east of F.M. 2977. The District lies wholly within the Lamar Consolidated Independent School District. See “THE DISTRICT - Authority” and - “Description,” “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Authority .....

The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code.

Authorized but Unissued Bonds .....

\$28,320,000 for waterworks, sanitary sewer, and drainage facilities (collectively, the “System”), \$25,782,000 for refunding purposes and \$7,355,000 for parks and recreational facilities (after issuance of the Bonds). In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

Development and Home Construction .....

As of February 1, 2018, the District contained 614 homes, including 51 homes under construction. See “Builders” below. According to the District’s Engineer, the development of Rosehaven, Sections 1 and 2 and Walnut Creek, Sections 3 through 13, 15 through 17, and 20, consisting of a total of 833 single-family residential lots located within the District (an aggregate of approximately 227.1 acres) is complete with the provision of water distribution, wastewater collection, and storm drainage facilities and street paving. In addition, the Developer of the District, Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company (“FDC” or the “Developer”), has initiated the development of Walnut Creek, Section 14 (50 lots on approximately 13.5 acres) within the District, with completion anticipated in approximately April 2018 and Walnut Creek, Section 21 (36 lots on approximately 9.5 acres) within the District, with completion anticipated in

approximately April 2018. Approximately 86 acres of currently undeveloped land located within the District that are owned by FDC are available for future development. Approximately 73 of such approximately 86 currently undeveloped acres are currently anticipated to be developed into approximately 285 future single-family residential lots, and the remaining approximately 13 of such acres are designated for future commercial development. See “Developer” below. FDC has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such acres at any time at its sole discretion. Since there is no legal commitment on the part of FDC to the District to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. FDC is marketing lots to Lennar Homes and Devon Street Homes that are constructing homes in the District as is described below under the caption “Builders.” Approximately 14.0 acres located within the District are owned by the Lamar Consolidated Independent School District. Approximately 67.1 acres of land located within the District are contained within drainage/detention easements, a District lift station site and a District wastewater treatment plant site, or are otherwise not available for future development.

Developer .....

The developer of the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company (“FDC” or the “Developer”). FDC’s sole general partner is Lennar Texas Holding Company, a Texas corporation, which is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

FDC has developed and expects to develop its land located within the District as a primarily residential community. FDC has completed the development of the 833 single-family residential lots that have been subdivided as Rosehaven, Sections 1 and 2, and Walnut Creek, Sections 3 through 13, 15 through 17, and 20 (an aggregate of approximately 227.1 acres). In addition, FDC has initiated the development of Walnut Creek, Section 14 (50 lots on approximately 13.5 acres) within the District, with completion anticipated in approximately April 2018 and Walnut Creek, Section 21 (36 lots on approximately 9.5 acres) within the District, with completion anticipated in approximately April 2018. Approximately 86 acres of currently undeveloped land located within the District that are owned by FDC are available for future development. Approximately 73 of such approximately 86 currently undeveloped acres are currently anticipated to be developed into approximately 285 future single-family residential lots, and the remaining approximately 13 of such acres are designated for future commercial development as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." FDC has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such acres at any time at its sole discretion. Since there is no legal commitment on the part of FDC to the District to develop such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. FDC is marketing lots to Lennar Homes and Devon Street Homes that are constructing homes in the District as is described below under the caption "Builders."

Builders .....

Lennar Homes and Devon Street Homes (the "Builders") are constructing homes within the District as is enumerated in the chart that appears in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." According to FDC, homes which Lennar Homes and Devon Street Homes are currently constructing in the District range in size from approximately 1,700 to 3,600 square feet of living area and in sales price from approximately \$220,000 to \$350,000.

Although FDC reports that the foregoing information respecting the building activity of the Builders is accurate as of the date hereof, the Builders may change the size(s) and the type(s) of homes which they elects to build, and the sales prices thereof, at their sole discretion.

**INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2017 Assessed Valuation .....	\$118,388,738(a)
(As of January 1, 2017)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation at February 1, 2018 .....	\$144,876,448(b)
(As of February 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt: Outstanding Bonds .....	\$ 11,015,000
The Bonds .....	<u>3,220,000</u>
Total .....	<u>\$ 14,235,000(c)</u>
Estimated Overlapping Debt .....	<u>\$ 7,826,971</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$ 22,061,971(c)</u>
Direct Debt Ratio	
: as a percentage of 2017 Assessed Valuation .....	12.02%
: as a percentage of Estimated Valuation at February 1, 2018 .....	9.83%
See "DISTRICT DEBT."	
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2017 Assessed Valuation .....	18.64%
: as a percentage of Estimated Valuation at February 1, 2018 .....	15.23%
See "DISTRICT DEBT."	
Debt Service Fund Balance (As of March 14, 2018) .....	\$ 910,814(d)
General Fund Balance (As of March 14, 2018) .....	\$ 1,171,802
2017 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax .....	\$0.60
Maintenance Tax .....	<u>0.68</u>
Total .....	\$1.28(e)
Average Percentage of Tax Collections 2007 through 2016 Tax Levies .....	99.99%
Percentage of Total Tax Collections 2017 Levy	
As of February 28, 2018. In process of collection. ....	97.57%
Average Annual Debt Service Requirements on the Bonds	
and the Outstanding Bonds (2019-2039) .....	\$ 957,506
Maximum Annual Debt Service Requirement on the Bonds	
and the Outstanding Bonds (2039) .....	\$ 1,053,495
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Bonds and the Outstanding Bonds	
(2019-2039) at 95% Tax Collections	
Based Upon 2017 Assessed Valuation .....	\$0.86
Based Upon Estimated Valuation at February 1, 2018 .....	\$0.70



Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2039) at 95% Tax Collections	
Based Upon 2017 Assessed Valuation . . . . .	\$0.94
Based Upon Estimated Valuation at February 1, 2018 . . . . .	\$0.77

Number of Single-Family Homes as of February 1, 2018 (including 51 homes under construction) . . . . .	614
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- (a) As of January 1, 2017, and comprises the District's 2017 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of February 1, 2018, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2017, through January 31, 2018. No taxes were levied for 2017 against any values added since January 1, 2017. The ultimate Assessed Valuation of any land and improvements added from January 1, 2017, through December 31, 2017, which will be placed on the District's 2018 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2018. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2018, through January 31, 2018, which will be placed on the District's 2019 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2019.
- (c) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. See "THE BONDS - Source of Payment." Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due on March 1, 2018. The District's remaining debt service requirements for 2018, which are due on September 1, 2018, consist of principal of and interest on the Outstanding Bonds totaling \$410,204. The District's initial debt service payment on the Bonds, consisting of a ten-month interest payment thereon, is due on March 1, 2019.
- (e) The District levied a total tax rate of \$1.28 per \$100 of Assessed Valuation for 2017, consisting of debt service and maintenance taxes of \$0.60 and \$0.68 per \$100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2017 tax levies of all overlapping taxing units which levy taxes upon the approximately 389 acres located in the District that lie within the extraterritorial jurisdiction of the City of Rosenberg, plus the District's total 2017 rate of \$1.28 per \$100 of Assessed Valuation, is \$3.13905 per \$100 of Assessed Valuation. Approximately 60 acres located within the boundaries of the District lie within the City of Rosenberg, and are subject to taxation by the City of Rosenberg. The City of Rosenberg levied a tax of \$0.47 per \$100 of Assessed Valuation for 2017, and thus the aggregate of the 2017 tax levies of all overlapping taxing units which levy taxes upon such approximately 60 acres, including the City of Rosenberg, is \$3.60905 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**UNLIMITED TAX BONDS**  
**SERIES 2018**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 152 (the “District”) of its \$3,220,000 Unlimited Tax Bonds, Series 2018 (the “Bonds”).

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order (the “Bond Order”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Order may be obtained from the District upon request.

**THE BONDS**

**General**

The Bonds are dated and bear interest from May 1, 2018, at the rates shown on the cover of this Official Statement, with interest payable on March 1, 2019 (ten-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. \$1,345,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2020 through 2031, inclusive, in the principal amounts set forth on the cover page of this Official Statement. \$1,875,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2033, 2035, 2037, 2039 and 2041 (collectively, the “Term Bonds”), in the principal amounts set forth on the cover page of this Official Statement. The Bonds are issued in fully registered form only, transferrable only upon presentation to the Registrar. The Bonds are issued in the denomination of \$5,000 each, or integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent (hereinafter defined) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. 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 to DTC.

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **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.

#### **Paying Agent/Registrar**

The Board has selected The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent," "Registrar" or "Paying Agent/Registrar") as the initial Paying Agent and Registrar for the Bonds. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least \$25,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the United States Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

#### **Assignments, Transfers and Exchanges**

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books kept by the Registrar, and such registration and transfer shall be without expense or service charge to the owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the

office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner not more than three business days after the receipt of the request in proper form to transfer, exchange or replace the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date.

## Redemption Provisions

### Optional Redemption

The Bonds, including the Term Bonds, that mature on and after September 1, 2024, shall be subject to redemption and payment prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on September 1, 2023, or on any date thereafter, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption.

If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of \$5,000 or any integral multiple thereof within any one maturity. If fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). In the event the book-entry-only system is discontinued, the Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### Mandatory Redemption

The Term Bonds are subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to scheduled maturity on September 1 in the years and in the amounts set forth below, subject to reduction by the amount of any prior optional redemption or cancellation, at a redemption price of par plus accrued interest to the date of redemption:

**\$305,000 Term Bonds Maturing on September 1, 2033**

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
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September 1, 2032	\$150,000
September 1, 2033 (maturity)	155,000

**\$340,000 Term Bonds Maturing on September 1, 2035**

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
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September 1, 2034	\$165,000
September 1, 2035 (maturity)	175,000

**\$370,000 Term Bonds Maturing on September 1, 2037**

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
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September 1, 2036	\$180,000
September 1, 2037 (maturity)	190,000

**\$410,000 Term Bonds Maturing on September 1, 2039**  
**Mandatory Redemption Dates** **Principal Amount**

September 1, 2038	\$200,000
September 1, 2039 (maturity)	210,000

**\$450,000 Term Bonds Maturing on September 1, 2041**  
**Mandatory Redemption Dates** **Principal Amount**

September 1, 2040	\$220,000
September 1, 2041 (maturity)	230,000

On or before 30 days prior to each Mandatory Redemption date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form), the Term Bonds or portions of Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of Term Bonds of a particular maturity to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the option of the District, by the principal amount of Term Bonds of such maturity, which, by the 45<sup>th</sup> day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of any redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register.

**Replacement of Bonds**

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds at the principal payment office of the Registrar, currently in Dallas, Texas, or receipt of satisfactory evidence by the Registrar and the District of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to hold them harmless. The District and the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

**Source of Payment**

The Outstanding Bonds (hereinafter defined) and the Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and interest thereon, together with the principal of and interest on such additional tax bonds of the District, if any, as hereafter may be issued, are payable from and are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a tax sufficient to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of levy and collection, and Paying Agent/Registrar and Fort Bend County Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Outstanding Bonds, the Bonds and on such additional bonds payable from taxes which may be issued. See "TAX DATA."

### **Authority for Issuance**

At an election held within the District on November 8, 2005, the District's voters authorized the issuance of \$42,970,000 unlimited tax bonds for financing the acquisition or construction of the System, \$25,782,000 for refunding such bonds and \$7,355,000 for parks and recreational facilities. The Bonds constitute the fifth installment of bonds from such authorization for financing the acquisition or construction of the System. The District has previously issued Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds") and Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds") (collectively the "Prior Bonds"). Before the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$11,015,000 (the "Outstanding Bonds").

The Bonds are issued pursuant to the Bond Order; to Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

### **Issuance of Additional Debt**

The District may issue additional bonds payable from taxes to provide and maintain improvements and facilities for which the District was created, and for parks and recreational facilities, with approval of the Texas Commission on Environmental Quality (the "TCEQ") and the District's voters. The District may also issue bonds to refund bonds that the District has issued. Following the issuance of the Bonds, \$28,320,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities, \$25,782,000 for refunding purposes, and \$7,355,000 for parks and recreational facilities, authorized by the District's voters will remain unissued. Additional tax bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes, tax anticipation notes, and revenue bonds and notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ). Any additional bonds issued by the District may be on a parity with the Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future.

Additional unlimited tax bonds will be required to provide water, sanitary sewer and drainage facilities and services to the remaining undeveloped land within the District's boundaries. Based on present engineering cost estimates, the total remaining authorized unlimited tax bonds in the amount of \$28,320,000 are sufficient, in the opinion of the District's Engineer, to complete the extension of water, sanitary sewer and drainage facilities and services and to finance Connection Charges to all of the remaining undeveloped acreage located within the District. See "FUTURE DEVELOPMENT."

The District is also authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for fire-fighting activities, the following actions would be required: (i) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (ii) approval of the master plan and bonds by the TCEQ; and (iii) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes

The District is authorized by statute to develop recreational facilities, including the issuing of bonds payable from taxes for such purpose, and voters of the District approved the issuance of \$7,355,000 in principal amount of unlimited tax bonds for recreational facilities at an election held on November 8, 2005. The outstanding principal amount of unlimited tax bonds for recreational facilities may not exceed an amount equal to one percent of the value of the taxable property in the District.

The District expressly reserves the right to issue in one or more installments the following: (1) bonds payable solely from net revenues of the District's water and sewer system for the purpose of completing, repairing, improving, extending, enlarging or replacing such system, and such bonds may be payable from and equally secured by a lien on and pledge of said net revenues on a parity with the pledge on any previously issued bonds secured by net revenues to the extent net revenues are used to pay the principal of and interest on such bonds; (2) inferior lien bonds and to pledge the net revenues of such system to the payment thereof, such pledge to be subordinate in all respects to the lien of previously issued revenue bonds and any previously issued or subsequently issued bonds which are on a parity with the Bonds; and (3) special project bonds for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

### **Defeasance**

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. 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 the investment may not be of the same investment quality of those currently permitted under Texas law.

### **Consolidation**

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



## **Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to Section 49.186, Texas Water Code, and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority or any of the above persons or entities to purchase or invest in the Bonds.

## **Amendments**

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the holders of the Bonds, but may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the holders of the Bonds.

## **Registered Owners' Remedies**

The Bond Order contains a covenant that while any of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting taxes. Pursuant to Texas law, the Bond Order provides that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, or fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to all other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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 by the Registered Owners. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell taxable property within the District in order to pay the principal of or interest on the Bonds. Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Registered Owners' Rights" below.

**Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the 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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. § § 901-946, if the District (1) is generally authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ prior to filing for bankruptcy protection. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, 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 such Registered Owners' claim against the District. See "INVESTMENT CONSIDERATIONS."

The District may not be placed into bankruptcy involuntarily.

**Use and Distribution of Bond Proceeds**

Proceeds of the sale of the Bonds will be used by the District to (i) make payment to the Developer (defined in this Official Statement under the caption "DEVELOPER") for the cost of acquisition or construction of (a) Phase I detention pond Phase IV and ultimate construction thereof and water, wastewater, and drainage facilities to serve Walnut Creek, Sections 4, 6 through 8 and 10; (ii) pay engineering fees associated with the foregoing projects; (iii) pay interest to such Developer on advances that have been made on behalf of the District; (iv) pay the principal of and accrued interest on the District's \$1,705,000 Bond Anticipation Note, Series 2017 (the "BAN"), the proceeds of the sale of which the District utilized to interim finance a portion of the cost of the aforementioned items; and (v) pay for administrative and issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, engineering fees, a review fee to the City of Rosenberg, and certain financing costs related to the issuance of the BAN and the Bonds.

Construction Costs

	<u>District's Share</u>
A. Developer Contribution Items (a)	
1. Walnut Creek, Section 6 Water, Wastewater and Drainage	\$ 529,934
2. Walnut Creek, Sections 8 and 4 Water, Wastewater and Drainage	793,280

3.	Walnut Creek, Sections 7 and 10 Water, Wastewater and Drainage	330,581
4.	Phase I Detention Phase IV	128,573
5.	Phase I Detention Ultimate	141,683
6.	Engineering, Surveying and Materials Testing	369,890
7.	Erosion Consultant and Storm Water Permits	<u>85,468</u>
	Total Developer Contribution Items	\$2,379,409

B. District Items

None

TOTAL CONSTRUCTION COSTS \$2,379,409

Non-Construction Costs

1.	Legal Fees	\$ 95,500
2.	Fiscal Agent Fees	64,400
3.	Interest	
	a. Developer Interest (b)	408,143
	b. Bond Anticipation Note Interest	27,621
4.	Bond Discount	96,600
5.	Bond Issuance Expenses	43,114
6.	Bond Anticipation Note Issuance Expenses	51,443
7.	Bond Application Report Costs	40,000
8.	City of Rosenberg Review Fee	2,500
9.	Attorney General Fee	3,220
10.	TCEQ Bond Issuance Fee	<u>8,050</u>
	TOTAL NON-CONSTRUCTION COSTS	\$ <u>840,591</u>
	<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$3,220,000</b>

(a) In general, developers are required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. However, pursuant to certain exceptions under TCEQ rules, the District is permitted to finance one hundred percent (100%) of the cost of the facilities being financed with the proceeds of the sale of the Bonds. The District requested an

exemption from such participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.

- (b) Represents interest owed on advances of construction costs and engineering fees and operating expenses made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party making such advance has borrowed funds.

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and not of the State of Texas, Fort Bend County, Texas, the City of Rosenberg, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

### **Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** The rate of development of the District is directly related to the vitality of the residential housing industry. New construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPER" and "BUILDERS," (i) the District currently contains a total of 833 fully developed single-family residential lots, (ii) as of February 1, 2018, the District contained 614 single-family homes (including 51 homes under construction), (iii) the development of 86 single-family residential lots is currently underway within the District, and (iv) the Builders are constructing homes within the District as is described under such captions, the District cannot predict the pace or magnitude of any future development or future construction of homes that might be undertaken in the District other than that which has occurred to date.

**National Economy:** Although, as is stated above under "Economic Factors," and as described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION" and "BUILDERS," (i) the District currently contains a total of 833 fully developed single-family residential lots, (ii) as of February 1, 2018, the District contained 614 single-family homes (including 51 homes under construction), (iii) the

development of 86 single-family residential lots is currently underway within the District, and (iv) the Builders are constructing homes within the District as is described under such captions, the District cannot predict the pace or magnitude of any future development or future construction of homes that might be undertaken in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or a continued downturn in national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

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

**Developer/Builder Obligation to the District:** There is no commitment by or legal requirement of the Developer, the current owner of approximately 86 acres of currently undeveloped land located within the District that is available for future development, or any other party, to the District to proceed at any particular rate or according to any specified plan with the development of land in the District (see "DEVELOPMENT AND HOME CONSTRUCTION" and "DEVELOPER"), or of Lennar Homes, Devon Street Homes or any other home builder to proceed at any particular pace with the construction of homes in the District (see "BUILDERS"), and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity within the District. See "FUTURE DEVELOPMENT."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2017 Assessed Valuation of property located within the District (see "TAX DATA") is \$118,388,738. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$1,053,495 (2039) and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds will be \$957,506 (2019 through 2039, inclusive). Assuming no increase to nor decrease from the 2017 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds, debt service tax rates of \$0.94 and \$0.86 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, respectively. The Estimated Valuation at February 1, 2018 of property located within the District (see "TAX DATA") is \$144,876,448. Assuming no increase to nor decrease from the Estimated Valuation at February 1, 2018, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds, debt service tax rates of \$0.77 and \$0.70 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, respectively. See "THE BONDS - Source of Payment" and "TAX DATA - Tax Rate Calculations."

The District levied a total tax rate of \$1.28 per \$100 of Assessed Valuation for 2017, consisting of debt service and maintenance taxes of \$0.60 and \$0.68 per \$100 of Assessed Valuation, respectively. As the above calculations indicate, the 2017 debt service rate will not be sufficient to pay the Average Annual Debt Service Requirements or the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2017 Assessed Valuation or the Estimated Valuation at February 1, 2018, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.99% of its 2007 through 2016 tax levies, and its 2017 tax levy was 97.57% collected as of February 28, 2018. Moreover, the District's Debt Service Fund balance is \$910,814 as of March 14, 2018. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). The District anticipates that, given these factors, and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer (see "DEVELOPMENT AND HOME CONSTRUCTION" and "BUILDERS"), the District will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the debt service tax rate above the debt service tax rate which the District has levied for 2017 - \$0.60 per \$100 of Assessed Valuation.

However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES." Increases in the District's total tax rate to higher levels than the total \$1.28 per \$100 of Assessed Valuation rate which the District levied for 2017 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS- Future Debt" below.

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2017 tax levies of all units of government which levy taxes against the approximately 389 acres located within that lie within the extraterritorial jurisdiction of the City of Rosenberg, plus the District's total 2017 rate of \$1.28 per \$100 of Assessed Valuation, is \$3.13905 per \$100 of Assessed Valuation. Approximately 60 acres located within the boundaries of the District lie within the City of Rosenberg, and are subject to taxation by the City of Rosenberg. The City of Rosenberg levied a tax of \$0.47 per \$100 of Assessed Valuation for 2017, and thus the aggregate of the 2017 tax levies of all overlapping taxing units which levy taxes upon such approximately 60 acres, including the City of Rosenberg, is \$3.60905 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate of the tax levies of many municipal utility districts located in the greater Houston metropolitan area, but are within the range of the aggregate tax levies of many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. 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.

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes," and "TAXING PROCEDURES."

## **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

## **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on Texas court decisions, it is unclear whether §49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

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

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been no definitive determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

## **Marketability**

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

## **Future Debt**

The District has the right to issue the remaining \$28,320,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities, \$7,355,000 for parks and recreational facilities and \$25,782,000 for refunding purposes (see “THE BONDS - Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining \$28,320,000 in bonds for waterworks, wastewater and drainage facilities, \$25,782,000 for refunding purposes, and \$7,355,000 for parks and recreational facilities, which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$28,320,000 in bonds for waterworks, wastewater and drainage facilities and \$7,355,000 for parks and recreational facilities is also subject to TCEQ authorization.

The District's Engineer estimates that the aforementioned \$28,320,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “THE SYSTEM.”

## **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston metropolitan area, including the City of Rosenberg, is very competitive, and the District can give no assurance that the building programs which are planned by the Builders, or any future home builder(s) will be continued or completed. The respective competitive positions of the Developer and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. See “DEVELOPMENT AND HOME CONSTRUCTION” and “DEVELOPER.”

## **Continuing Compliance with Certain Covenants**

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



## Environmental Regulations

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

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

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

### *Air Quality/Greenhouse Gas Issues*

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")-Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties-was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 "eight-hour" ozone standards ("the 1997 Ozone Standards"). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas's redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGC area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion ("ppb") to 75 ppb ("the 2008 Ozone Standard"), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area's 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's 2008 Ozone Standard, the 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.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb ("the 2015 Ozone Standard"). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2017.

In order to comply with the EPA's ozone 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. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

### *Water Supply & Discharge Issues*

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. Such final rule has been the subject of court challenges. The EPA and USACE issued a rule, effective February 6, 2018, which extends the applicability date of the CWR by two years, until February 6, 2020. The final rule gives the agencies additional time to consider the definition of "waters of the United States." If the CWR is not rescinded in 2020, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States."

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it would be required to seek independent coverage under the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"). The TCEQ renewed the MS4 Permit on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. However, at this time the District was not required to apply to the TCEQ for authorization. If at any time in the future the District were required to maintain

its own coverage under the MS4 Permit, it is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

### **Changes in Tax Legislation**

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

### **Tropical Weather Events; Hurricane Harvey**

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

Hurricane Harvey struck the Houston area on August 26, 2017, resulting in historic levels of rainfall. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, according to the District's Operator, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District. Hurricane Harvey could have a material impact on the Houston region's economy. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes within the District.

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

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

## **THE DISTRICT**

### **Authority**

The District was created by the TCEQ on July 15, 2005, and operates pursuant to Chapters 49 and 54 of the Texas Water Code.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

Under certain limited circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. In addition, the District is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Rosenberg (the "City"), within whose extraterritorial jurisdiction the District partially lies (approximately 389 acres) and within whose corporate boundaries the District partially lies (approximately 60 acres), the District has agreed to observe certain City of Rosenberg requirements. These requirements limit the purposes for which the District may sell bonds to the acquisition and improvement of waterworks, wastewater, and drainage facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of the issuance of bonds by the District and the District's construction plans and specifications.

### **Description**

The District contains approximately 456.7 acres of land. The District is located entirely within Fort Bend County, Texas. The District is located partially (approximately 397 acres) within the extraterritorial jurisdiction of the City, and partially (approximately 60 acres) within the corporate boundaries of the City. See - "Annexation" below. The District is located approximately 25 miles southwest of the central business district of the City of Houston. The District is located south of U.S. Highway 59 and F.M. 762 and east of F.M. 2977. The District lies wholly within the Lamar Consolidated Independent School District. See - "Authority" above, "AERIAL PHOTOGRAPH OF THE DISTRICT," and "APPENDIX A - LOCATION MAP."

### **Annexation and Abolishment**

Portions of the District are currently (i) located within the corporate boundaries of the City (approximately 60 acres) and (ii) located within the extraterritorial jurisdiction of the City (approximately 397 acres).

Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition signed by more than 50 percent of the landowners consenting to the annexation. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should such annexation occur.

Under Texas law, a district located in a city may be abolished by the city. If abolished, the city must assume all of the debts, liabilities, and obligations of the district, including bonds, and must perform all of the functions of the district, including the provision of services.

Under Texas law if a district is annexed or abolished, obligations of the district payable in whole or in part from ad valorem taxes become obligations of the city, and the city is thereafter required to levy and collect taxes on all taxable property in the city sufficient to pay the principal of and interest on the bonds as it becomes due and payable.

It is the policy of the City that a municipal utility district created within the City should not be abolished until such time as it has retired all of its outstanding bonded indebtedness. The City does reserve the right to abolish any municipal utility district, regardless of whether or not it has any outstanding debt, if it is deemed to be in the best interest of the City. No representation is made with respect to whether the City will ever abolish the District and assume its debt or with respect to the ability of the City to pay such debt service obligations if it were to abolish the District.

## **Contracts**

### *Development Agreement with the City of Rosenberg*

The District has entered into a Development Agreement with the City of Rosenberg, Texas dated July 6, 2005. This agreement provides long-term certainty in regulatory requirements and development standards of the City for the land located within the boundaries of the District. The agreement provides for the development of a master-planned mixed-use community within the extraterritorial jurisdiction of the City. This agreement is binding on both parties for a term of 25 years and may be extended at the developer's request and with city council approval for successive one year periods.

### *Fire Protection Agreement*

Pursuant to a Fire Protection Plan approved January 30, 2008, the District has entered into a fire protection agreement to receive fire protection services from the City of Rosenberg in exchange for a pro rata capital contribution for the construction of a fire station and an initial monthly fee of \$11.00 per connection or per 2,000 square feet or part thereof for improved non-residential property. Effective January 1, 2014, each equivalent residential connection is charged \$20.00 per month and each commercial connection is billed \$20.00 per 2,000 square feet or part thereof of building floor area.

### *Wastewater Treatment Plant Agreement*

The District is a party to the Construction Financing Agreement for Interim Wastewater Treatment Plant among the District, Fort Bend County Municipal Utility District No. 155 ("No. 155") and Fort Bend County Municipal Utility District No. 158 ("No. 158"), dated December 13, 2005, which established the terms and conditions by which the District's predecessor in interest agreed to finance the design and construction of a temporary wastewater treatment facility with the capacity to treat 240,000 gallons per day, and allocate treatment capacity in the facility ("First Phase"). The First Phase has been constructed and is currently in operation. The District owns 39.3% of the total capacity in the First Phase.

The District entered into the Construction Financing Agreement for Phase Two of Interim Wastewater Treatment Plant, dated August 9, 2006, which established the terms and conditions by which the District, No. 155 and No. 158 agreed to finance the 240,000 gallon per day expansion of the temporary wastewater treatment facilities, allocate treatment capacity in the expansion among the Districts and fund operations on the temporary wastewater treatment facilities("Second Phase"). The Second Phase has been constructed and is in operation. The District owns 39.3% of the total capacity in the Second Phase.

The District entered into the First Supplement to Construction Financing Agreement for Phase Two of Interim Wastewater Treatment Plant, dated February 1, 2009, which established the terms and conditions by which the District, No. 155 and No. 158 would finance the design and regulatory approval of a 500,000 gallon per day expansion of the temporary wastewater treatment facilities.

The District entered into the Construction Financing Agreement for Phase Three of Interim Wastewater Treatment Plant, dated May 14, 2014, which established the terms and conditions by which the District, No. 155 and No. 158 will provide for the construction of a 500,000 gallon per day expansion of the temporary wastewater treatment facilities and revised the terms and conditions by which the District agreed to finance the design and regulatory approval of the expansion ("Third Phase"). The Third Phase has been constructed and is in operation. The District owns 36.4% of the total capacity in the Third Phase.

The District entered into the Construction Financing Agreement for Phase Four of Interim Wastewater Treatment Plant, dated April 6, 2016, which established the terms and conditions by which the District, No. 155 and No. 158 will provide for the construction of additional improvements to the temporary wastewater treatment facilities. Per the agreement the District shall be entitled to no less than 38.2% of the total capacity in the Fourth Phase. Under the agreement each district is responsible for its respective pro rata share of the construction costs.

### *Wastewater Treatment Plant Site Agreement*

The District entered into a Cost Sharing Agreement for Wastewater Treatment Plant Site Acquisition dated September 25, 2005. The agreement was entered into by Lennar Homes of Texas Land and Construction Ltd., Bonbrook Plantation L.P., Beazer Homes Texas L.P., and Ventana Development Ltd. for the purpose of acquiring a wastewater treatment site. The terms of the agreement required payment by the various developers of their respective pro-rata shares of the estimated cost of \$680,000. Per the agreement, title to the property was held by No. 158 until receipt of sufficient funding, at which time the property was transferred to the City of Rosenberg for use as the wastewater treatment plant site.

### *Lift Station and Force Main Agreements*

The District has entered into a Construction Finance Agreement dated September 5, 2006, for the South Master Lift Station and Force Main with No. 155 and No. 158. In the agreement the District agreed to design, construct, repair, own, operate, and maintain facilities in accordance with the terms of the agreement so as to adequately provide for the wastewater needs of all three districts. The District shall act on behalf of all three parties to the agreement and hold title to the facilities for the benefit of all three parties. The agreement provides for cost allocation based upon the projected number of equivalent single family residential connections within each district to be served.

The District has entered into a Construction Finance Agreement dated August 2, 2016, for the Second Lift Station and Force Main with No. 155, No. 158 and the City of Rosenberg. In the agreement the District agreed to design, construct, repair, own, operate, and maintain facilities in accordance with the terms of the agreement so as to adequately provide for the wastewater needs of all three districts. The District shall act on behalf of all three parties to the agreement and hold title to the facilities for the benefit of all three parties. The agreement provides for cost allocation based upon the projected number of equivalent single family residential connections within each district to be served.

### *Water Line Agreement*

The District has entered into a Facilities Proration Agreement with Fort Bend County Municipal Utility District No. 66 to provide for the construction of an oversized water line required by the City of Rosenberg. The District has agreed to pay for the portion of the line from which only the District benefits, subject to the availability of bond funds, surplus funds, general funds, or developer advances. The District's pro-rata share of the cost of the water line totals \$31,830.74.

### *Water and Wastewater Agreement with the City of Rosenberg*

The District has entered into a Water Supply and Wastewater Services Agreement with the City of Rosenberg dated February 22, 2005. This agreement provides up to 1,690 equivalent single family connections of Water Supply Services and Wastewater Services for the District. The City will supply up to 987 additional connections subject to the developer's completion of construction of necessary facilities required to connect to City water supply and distribution facilities and wastewater collection and treatment facilities. The agreement permits the District to obtain an adequate water supply for development within the District and satisfies the groundwater reduction requirements of the Fort Bend Subsidence District.

### **Management of the District**

The District is governed by the Board of Directors (the "Board"), consisting of five directors, who have control over and management supervision of all affairs of the District. None of the Directors reside in the District. The Directors each own separate small parcels of land located within the District that are subject to separate non-recourse promissory notes and deeds of trust in favor of the Developer. The Directors serve four-year staggered terms. Elections are held in even numbered years in May.

The current members and officers of the Board, along with their respective terms of office, are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires in May</u>
R. F. Douds	President	2020
Lisa P. Rickert	Vice President	2018
Debra Greenwood-Sharp	Secretary	2020
Shannon Hartman	Assistant Secretary	2020
Priscilla Forkner	Assistant Secretary	2018

Although the District does not have a general manager or any other full-time employee, it has contracted for tax assessing and collecting, bookkeeping, auditing, engineering, legal and financial advisory services as follows:

**Tax Assessor/Collector**

The District has engaged Esther Flores of Tax Tech, Inc. as the District's Tax Assessor/Collector. According to Ms. Flores, she presently serves 85 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend County Appraisal District and bills and collects such levy.

**Bookkeeper**

The District's bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for approximately 338 utility districts.

**Auditor**

As required by the Texas Water Code, the District retained McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit the District's financial statements annually. A copy of the District's audit for the fiscal year ended April 30, 2017, is included as "APPENDIX B" to this Official Statement.

**Engineer**

The consulting engineer for the District in connection with the design of the facilities being acquired with the proceeds of the sale of the Bonds is IDS Engineering Group (the "Engineer"), Houston, Texas. The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

**Attorney**

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

**Financial Advisor**

The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB").

Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

## **DEVELOPMENT AND HOME CONSTRUCTION**

As of February 1, 2018, the District contained 614 homes, including 51 homes under construction. See "BUILDERS" below. According to the District's Engineer, the development of Rosehaven, Sections 1 and 2 and Walnut Creek, Sections 3 through 13, 15 through 17, and 20, consisting of a total of 833 single-family residential lots located within the District (an aggregate of approximately 227.1 acres) is complete with the provision of water distribution, wastewater collection, and storm drainage facilities and street paving. In addition, the Developer of the District, Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company ("FDC" or the "Developer"), has initiated the development of Walnut Creek, Section 14 (50 lots on approximately 13.5 acres) within the District, with completion anticipated in approximately April 2018 and Walnut Creek, Section 21 (36 lots on approximately 9.5 acres) within the District, with completion anticipated in approximately April 2018. Approximately 86 acres of currently undeveloped land located within the District that are owned by FDC are available for future development. Approximately 73 of such approximately 86 currently undeveloped acres are currently anticipated to be developed into approximately 285 future single-family residential lots, and the remaining approximately 13 of such acres are designated for future commercial development. See "DEVELOPER" below. FDC has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such acres at any time at its sole discretion. Since there is no legal commitment on the part of FDC to the District to develop any of such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. FDC is marketing lots to Lennar Homes and Devon Street Homes that are constructing homes in the District as is described below under the caption "BUILDERS." Approximately 14.0 acres located within the District are owned by the Lamar Consolidated Independent School District. Approximately 67.1 acres of land located within the District are contained within drainage/detention easements, a District lift station site and a District wastewater treatment plant site, or are otherwise not available for future development.



As of February 1, 2018, the status of lot development and home construction in the District was as follows:

Subdivision	Lots				Homes				Totals
	Developed	Acres	Under		Under		Completed		
			Development	Acres	Sold*	Unsold	Sold*	Unsold	
Rosehaven									
Section 1	90	24.1			0	0	90	0	90
Section 2	109	25.5			0	0	109	0	109
Walnut Creek									
Section 3	40	9.1			0	0	40	0	40
Section 4	41	12.9			0	0	39	0	39
Section 5	34	8.1			0	0	34	0	34
Section 6	33	8.2			0	0	33	0	33
Section 7	31	9.6			0	0	31	0	31
Section 8	44	9.8			0	0	44	0	44
Section 9	38	8.7			0	0	38	0	38
Section 10	42	9.7			0	0	42	0	42
Section 11	27	8.8			0	0	27	0	27
Section 12	46	13.8			0	4	36	0	40
Section 13	53	14.0			7	15	0	0	22
Section 14			50	13.5	0	0	0	0	0
Section 15	58	22.3			0	10	0	0	10
Section 16	53	16.4			11	4	0	0	15
Section 17	49	15.2			0	0	0	0	0
Section 20	45	10.9			0	0	0	0	0
Section 21			36	9.5	0	0	0	0	0
Totals	833	227.1	86	23.0	18	33	563	0	614

\* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval and inspection. See "BUILDERS."

#### DEVELOPER

The developer of the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company ("FDC" or the "Developer"). FDC's sole general partner is Lennar Texas Holding Company, a Texas corporation, which is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

FDC has developed and expects to develop its land located within the District as a primarily residential community. FDC has completed the development of the 833 single-family residential lots that have been subdivided as Rosehaven, Sections 1 and 2, and Walnut Creek, Sections 3 through 13, 15 through 17, and 20 (an aggregate of approximately 227.1 acres). In addition, FDC has initiated the development of Walnut Creek, Section 14 (50 lots on approximately 13.5 acres) within the District, with completion anticipated in approximately April 2018 and Walnut Creek, Section 21 (36

lots on approximately 9.5 acres) within the District, with completion anticipated in approximately April 2018. Approximately 86 acres of currently undeveloped land located within the District that are owned by FDC are available for future development. Approximately 73 of such approximately 86 currently undeveloped acres are currently anticipated to be developed into approximately 285 future single-family residential lots, and the remaining approximately 13 of such acres are designated for future commercial development as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." FDC has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such acres at any time at its sole discretion. Since there is no legal commitment on the part of FDC to the District to develop such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. FDC is marketing lots to Lennar Homes and Devon Street Homes that are constructing homes in the District as is described below under the caption "BUILDERS."

### **BUILDERS**

Lennar Homes and Devon Street Homes (the "Builders") are constructing homes within the District as is enumerated in the chart that appears in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." According to FDC, homes which Lennar Homes and Devon Street Homes are currently constructing in the District range in size from approximately 1,700 to 3,600 square feet of living area and in sales price from approximately \$220,000 to \$350,000.

Although FDC reports that the foregoing information respecting the building activity of the Builders is accurate as of the date hereof, the Builders may change the size(s) and the type(s) of homes which they elects to build, and the sales prices thereof, at their sole discretion.

### **FUTURE DEVELOPMENT**

As of the date of this Official Statement, the development of 833 single-family residential lots on a total of approximately 227.1 acres located within the District has been completed. In addition, FDC has initiated the development of Walnut Creek, Section 14 (50 lots on approximately 13.5 acres) within the District, with completion anticipated in approximately April 2018 and Walnut Creek, Section 21 (36 lots on approximately 9.5 acres) within the District, with completion anticipated in approximately April 2018. As is described above under the caption "DEVELOPER," FDC owns approximately 86 acres of currently undeveloped land located within the District that are currently available for future development, approximately 73 of which acres are expected to be developed into approximately 285 future single-family residential lots, and approximately 13 of which acres are designated for future commercial development as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." FDC has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such acres at any time at its sole discretion. Since there is no legal commitment on the part of FDC to the District to develop such acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. If any undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer and drainage System required to service such undeveloped acreage, additional Connection Charges, and other facilities, may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$28,320,000 authorized bonds that will remain unissued after the issuance of the Bonds are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to finance Connection Charges as is described below under the caption "THE SYSTEM." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(taken March 2018)**



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken March 2018)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken March 2018)



## DISTRICT DEBT

### Debt Service Requirement Schedule

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

<u>Year</u>	<u>Outstanding Bonds</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal (Due 9-1)</u>	<u>Interest</u>	
2018	\$ 612,670			\$ 612,670
2019	685,058		\$ 158,358	843,416
2020	691,245	\$ 85,000	118,769	895,014
2021	691,625	90,000	114,094	895,719
2022	701,335	95,000	109,144	905,479
2023	704,885	95,000	103,919	903,804
2024	712,410	100,000	98,694	911,104
2025	720,600	110,000	93,194	923,794
2026	727,673	115,000	88,794	931,466
2027	728,510	120,000	85,344	933,854
2028	733,653	125,000	81,744	940,396
2029	742,553	130,000	77,994	950,546
2030	749,768	135,000	74,094	958,861
2031	755,890	145,000	70,044	970,934
2032	765,770	150,000*	65,313	981,283
2033	774,436	155,000*	60,638	990,074
2034	781,526	165,000*	55,600	1,002,126
2035	787,415	175,000*	50,031	1,012,446
2036	798,943	180,000*	44,125	1,023,068
2037	804,093	190,000*	37,825	1,031,918
2038	817,644	200,000*	31,175	1,048,819
2039	819,570	210,000*	23,925	1,053,495
2040	196,413	220,000*	16,313	432,725
2041		230,000*	8,338	238,338
	<u>\$16,503,685</u>	<u>\$3,220,000</u>	<u>\$1,667,669</u>	<u>\$21,391,349</u>
Average Annual Requirements (2019-2039) .....				\$ 957,506
Maximum Annual Requirements (2039) .....				\$ 1,053,495

\* Represents mandatory sinking fund payments on Term Bonds.

**Bonded Indebtedness**

2017 Assessed Valuation . . . . .	\$118,388,738(a)
(As of January 1, 2017)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation at February 1, 2018 . . . . .	\$144,876,448(b)
(As of February 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:    Outstanding Bonds . . . . .	\$ 11,015,000
The Bonds . . . . .	<u>3,220,000</u>
Total . . . . .	<u>\$ 14,235,000(c)</u>
Estimated Overlapping Debt . . . . .	<u>\$ 7,826,971</u>
Total Direct and Estimated Overlapping Debt . . . . .	<u>\$ 22,061,971(c)</u>
Direct Debt Ratio	
: as a percentage of 2017 Assessed Valuation . . . . .	12.02%
: as a percentage of Estimated Valuation at February 1, 2018 . . . . .	9.83%
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2017 Assessed Valuation . . . . .	18.64%
: as a percentage of Estimated Valuation at February 1, 2018 . . . . .	15.23%
Debt Service Fund Balance (As of March 14, 2018) . . . . .	\$ 910,814(d)
General Fund Balance (As of March 14, 2018) . . . . .	\$ 1,171,802
2017 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax . . . . .	\$0.60
Maintenance Tax . . . . .	<u>0.68</u>
Total . . . . .	\$1.28(e)

- 
- (a) As of January 1, 2017, and comprises the District's 2017 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of February 1, 2018, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2017, through January 31, 2018. No taxes were levied for 2017 against any values added since January 1, 2017. The ultimate Assessed Valuation of any land and improvements added from January 1, 2017, through December 31, 2017, which will be placed on the District's 2018 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2018. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2018, through January 31, 2018, which will be placed on the District's 2019 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2019.

- (c) In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. See “THE BONDS - Source of Payment.” Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due on March 1, 2018. The District’s remaining debt service requirements for 2018, which are due on September 1, 2018, consist of principal of and interest on the Outstanding Bonds totaling \$410,204. The District’s initial debt service payment on the Bonds, consisting of a ten-month interest payment thereon, is due on March 1, 2019.
- (e) The District levied a total tax rate of \$1.28 per \$100 of Assessed Valuation for 2017, consisting of debt service and maintenance taxes of \$0.60 and \$0.68 per \$100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2017 tax levies of all overlapping taxing units which levy taxes upon the approximately 389 acres located in the District that lie within the extraterritorial jurisdiction of the City of Rosenberg, plus the District’s total 2017 rate of \$1.28 per \$100 of Assessed Valuation, is \$3.13905 per \$100 of Assessed Valuation. Approximately 60 acres located within the boundaries of the District lie within the City of Rosenberg, and are subject to taxation by the City of Rosenberg. The City of Rosenberg levied a tax of \$0.47 per \$100 of Assessed Valuation for 2017, and thus the aggregate of the 2017 tax levies of all overlapping taxing units which levy taxes upon such approximately 60 acres, including the City of Rosenberg, is \$3.60905 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”



**Estimated Direct and Overlapping Debt Statement**

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

<b>Estimated Overlapping Debt</b>			<b>Estimated</b>
<b>Taxing Jurisdiction</b>	<b>Debt as of</b>	<b>Percent</b>	<b>Overlapping</b>
	<b><u>February 1, 2018</u></b>		<b><u>Amount</u></b>
Fort Bend County	\$570,955,527	0.1839%	\$1,050,222
City of Rosenberg	75,296,000	0.0318	23,967
Lamar Consolidated Independent School District	791,650,000	0.8530	<u>6,752,782</u>
Total Estimated Overlapping Debt			\$7,826,971
Direct Debt			
The Outstanding Bonds and the Bonds .....			<u>14,235,000</u>
Total Direct and Estimated Overlapping Debt .....			\$22,061,971

**Debt Ratios**

Direct Debt Ratio		
: as a percentage of 2017 Assessed Valuation .....		12.02%
: as a percentage of Estimated Valuation at February 1, 2018 .....		9.83%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2017 Assessed Valuation .....		18.64%
: as a percentage of Estimated Valuation at February 1, 2018 .....		15.23%

## **TAX DATA**

### **Debt Service Tax**

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in the Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a debt service tax in the amount of \$0.60 per \$100 of Assessed Valuation for 2017. See "Tax Rate Distribution" and "Tax Rate Calculations" below.

### **Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On November 8, 2005, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.68 per \$100 of Assessed Valuation for 2017. See "Tax Rate Distribution" below.

### **Tax Rate Limitation**

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

### **Exemptions**

The District has adopted a \$10,000 over 65/disabled exemption for the 2016 and 2017 tax years. See "TAXING PROCEDURES."

### **Additional Penalties**

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

## Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>% Collections Current &amp; Prior Years (b)</u>	<u>Year Ending 9/30</u>
2007	\$ 6,161,629	\$1.45	\$ 89,344	100.00%	2008
2008	9,971,398	1.45	144,586	100.00	2009
2009	14,649,420	1.45	212,417	100.00	2010
2010	22,045,920	1.45	319,666	100.00	2011
2011	24,772,580	1.45	359,202	100.00	2012
2012	29,587,240	1.45	429,015	100.00	2013
2013	33,896,410	1.45	491,498	100.00	2014
2014	42,001,766	1.45	609,025	100.00	2015
2015	64,815,942	1.37	887,978	100.00	2016
2016	95,177,675	1.28	1,218,274	99.97	2017
2017	118,388,738	1.28	1,515,376	97.57(c)	2018

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through February 28, 2018. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.

(c) As of February 28, 2018. In process of collection.

## Tax Rate Distribution

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Service	\$0.60	\$0.60	\$0.54	\$0.54	\$0.60
Maintenance	<u>0.68</u>	<u>0.68</u>	<u>0.83</u>	<u>0.91</u>	<u>0.85</u>
Total	\$1.28	\$1.28	\$1.37	\$1.45	\$1.45

## Analysis of Tax Base

The following table illustrates the composition of property located within the District for the last five years.

Type of Property	Assessed Valuation					
	2017	%	2016	%	2015	%
Land	\$ 26,728,310	22.58%	\$21,339,810	22.42%	\$16,191,750	24.98%
Agriculture Deferred	0	0.00	1,500	0.00	2,200	0.00
Improvements	99,058,200	83.67	81,284,620	85.40	58,363,210	90.04
Personal Property	469,010	0.40	458,000	0.48	337,950	0.52
Auto/Other	84,300	0.07	49,080	0.05	0	0.00
Exemptions	<u>(7,951,082)</u>	<u>(6.72)</u>	<u>(7,955,335)</u>	<u>(8.36)</u>	<u>(10,079,168)</u>	<u>(15.55)</u>
TOTAL	\$118,388,738	100.00%	\$95,177,675	100.00%	\$64,815,942	100.00%

Type of Property	Assessed Valuation			
	2014	%	2013	%
Land	\$ 11,433,060	27.22%	\$ 9,768,750	31.97%
Agriculture Deferred	522,410	1.24	524,880	0.03
Improvements	39,048,090	92.97	32,690,390	98.69
Personal Property	268,180	0.64	176,630	0.54
Auto/Other	97,560	0.23	50,310	0.28
Exemptions	<u>(9,367,534)</u>	<u>(22.30)</u>	<u>(9,314,550)</u>	<u>(31.51)</u>
TOTAL	\$42,001,766	100.00%	\$33,896,410	100.00%

## Principal 2017 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2017. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2017.

Taxpayer	Type of Property	Assessed Valuation 2017 Tax Roll	% of 2017 Tax Roll
Devon Street Homes, L.P.	Land, Improvements and Personal Property	\$2,796,300	2.36%
Lennar Homes of Texas Land and Construction, Ltd.*	Land and Improvements	2,281,610	1.93
Friendswood Development Company*	Land	1,259,340	1.06
Po Sum Yeung	Land and Improvements	956,090	0.81
Lorb Holdings LLC	Land and Improvements	566,020	0.48
Elite Rental Properties LLC	Land and Improvements	520,860	0.44
San Rong LLC	Land and Improvements	456,520	0.39
Regency Group LLC	Land and Improvements	446,380	0.38
1031 Vest LLC	Land and Improvements	420,160	0.35
David Kerwood & Elizabeth Stokes	Land and Improvements	<u>375,970</u>	<u>0.32</u>
		\$10,079,250	8.51%

\* Related entities.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2017 Assessed Valuation or the Estimated Valuation at February 1, 2018. The calculations assume collection of 95% of taxes levied, no use of other available funds in addition to tax revenues, and the sale of no additional bonds by the District except the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements (2019-2039) .....	\$ 957,506
Tax Rate of \$0.86 on the 2017 Assessed Valuation (\$118,388,738) produces .....	\$ 967,236
Tax Rate of \$0.70 on the Estimated Valuation at February 1, 2018 (\$144,876,448) produces .	\$ 963,428
Maximum Annual Debt Service Requirement (2039) .....	\$1,053,495
Tax Rate of \$0.94 on the 2017 Assessed Valuation (\$118,388,738) produces .....	\$1,057,211
Tax Rate of \$0.77 on the Estimated Valuation at February 1, 2018 (\$144,876,448) produces .	\$1,059,771

The District levied a total tax rate of \$1.28 per \$100 of Assessed Valuation for 2017, consisting of debt service and maintenance taxes of \$0.60 and \$0.68 per \$100 of Assessed Valuation, respectively. As the above calculations indicate, the 2017 debt service rate will not be sufficient to pay the Average Annual Debt Service Requirements or the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2017 Assessed Valuation or the Estimated Valuation at February 1, 2018, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.99% of its 2007 through 2016 tax levies, and its 2017 tax levy was 97.57% collected as of February 28, 2018. Moreover, the District's Debt Service Fund balance is \$910,814 as of March 14, 2018. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). The District anticipates that, given these factors, and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer (see "DEVELOPMENT AND HOME CONSTRUCTION" and "BUILDERS"), the District will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the debt service tax rate above the debt service tax rate which the District has levied for 2017 - \$0.60 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM." Increases in the District's total tax rate to higher levels than the total \$1.28 per \$100 of Assessed Valuation rate which the District levied for 2017 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS- Future Debt" and "TAXING PROCEDURES."

## Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by all such jurisdictions in 2017. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2017 Tax Rate/\$100</u>
Fort Bend County	\$0.46900
Lamar Consolidated Independent School District	1.39005
The District (a)	<u>1.28000(b)</u>
TOTAL TAX RATE	\$3.13905

- (a) Approximately 60 acres located within the boundaries of the District lie within the City of Rosenberg, and are subject to taxation by the City of Rosenberg. The City of Rosenberg levied a tax of \$0.47 per \$100 of Assessed Valuation for 2017, and thus the aggregate of the 2017 tax levies of all overlapping taxing units which levy taxes upon such approximately 60 acres, including the City of Rosenberg, is \$3.60905 per \$100 of Assessed Valuation.
- (b) The District levied a total tax rate of \$1.28 per \$100 of Assessed Valuation for 2017, consisting of debt service and maintenance taxes of \$0.60 and \$0.68 per \$100 of Assessed Valuation, respectively.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

## TAXING PROCEDURES

### Authority to Levy Taxes

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

### Tax Code and County-wide Appraisal District

The Texas Property Tax Code (the “Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The 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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”).

## Reappraisal of Property After Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

## Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$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 the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifth percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under the Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also 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. The District has adopted a \$10,000 over 65/disabled exemption for the 2016 and 2017 tax years. See "TAX DATA - Exemptions."

**Residential Homestead Exemptions:** The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See "TAX DATA - Exemptions."

**Freeport Goods Exemption:** A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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. The District has taken official action to allow taxation of all such goods-in-transit personal property.

### **Tax Abatement**

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

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code.

The Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the 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 while claiming



it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

The Tax Code 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.

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax only if the total amount of taxes due to the District on the average residential homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the District's current year's debt service and contract tax rates plus 1.08 times the District's previous year's operations and maintenance tax rate. The District's debt service and contract tax rates cannot be changed by a rollback election.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which the taxes become delinquent. For those real property taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code makes provisions for the split payment of taxes, discount for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal

monthly installments and must extend for a period of at least 12 months and no more than 36 months. In addition, taxing entities are required by the Property Tax Code to accept four equal installment payments without penalty and interest for taxpayers whose damaged property is in a declared disaster area as long as the taxpayer pays at least one-fourth of the tax bill before the delinquency date.

### **District's Rights in the Event of Tax Delinquencies**

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

## **THE SYSTEM**

### **Regulation**

According to the Engineer, the District's water, wastewater, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Construction of drainage facilities is subject to the regulatory authority of the City of Rosenberg, the Fort Bend Drainage District, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers. Fort Bend County and the City also exercise regulatory jurisdiction over the District's System. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 457 acres is 1205 with a total estimated population of 3,615 people. The following descriptions are based upon information supplied by the District's Engineer.

### **Description**

The District has financed the District's cost of a shared wastewater treatment plant, a shared lift station and force main, including land acquisition for such facilities and a storm water detention basin; a 16-inch offsite waterline, Phase I and Phase II stormwater detention facilities to serve the Rosehaven subdivision; southwest detention pond construction, Phase III; water, wastewater and drainage facilities along Irby Cobb Boulevard, Rosehaven, Sections 1 and 2, and Walnut Creek Sections 3, 5 and 9; the District's pro rata share of wastewater treatment plant phase I and expansion, and connection charges to the City of Rosenberg associated with the City's provision of water supply to the District (the "Connection Charges") for 239 lots with the proceeds of the sale of the Prior Bonds, and will finance certain of its costs of construction or acquisition of components of the System and other facilities that have been constructed within the District with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the

caption “THE BONDS - Use and Distribution of Bond Proceeds.” The District will finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

### **Water Supply**

The District receives its water supply from the City of Rosenberg (the “City”) pursuant to the Water Supply and Wastewater Service Agreement (the “Water Agreement”) between the City and Lennar of Texas Land and Construction, Ltd. dated February 22, 2005. See “THE DISTRICT - Contracts - Water and Wastewater Agreement with the City of Rosenberg.” The City’s water supply is from various groundwater sources obtained by the City. The City has agreed to supply the District with all of its requirements for potable water supply in consideration of the reservation of Connection Charges. The Water Agreement currently provides for service to up to 1,690 ESFCs, including the 833 ESFCs that have been developed within the District to date and the 86 ESFCs currently under development as is enumerated in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” The District has no emergency water line interconnection.

### **Wastewater Treatment**

The District’s wastewater treatment is currently provided by an existing 980,000 gallon-per-day leased interim wastewater treatment plant. The existing plant was constructed pursuant to the Construction Financing Agreement for Interim Wastewater Treatment Plant, dated December 31, 2005, and the Construction Financing Agreement for Phase Two of Interim Wastewater Treatment Plant, dated August 9, 2006. The District has entered into the First Supplement to Construction Financing Agreement for Phase Two of Interim Wastewater Treatment Plant, dated February 1, 2009, the Construction Financing Agreement for Phase Three of Interim Wastewater Treatment Plant, dated May 14, 2014, which have provided for an additional 500,000 gallon per day expansion of the facilities as well as the maintenance and operation of the entirety of the facilities, and the Construction Financing Agreement for Phase Four of Interim Wastewater Treatment Plant, dated April 16, 2016, which will provide for the construction of additional improvements to the temporary wastewater treatment facility. The Phase Two and Phase Three expansions of the plant have been completed. See “THE DISTRICT - Contracts.” According to the District’s Engineer, the District’s share of such capacity is sufficient to provide service to 908 ESFCs, including all 833 single-family residential lots that have been developed in the District to date and the 75 of the 86 ESFCs currently under development.

### **Outfall Drainage Channel**

Storm water from within the District generally drains through underground lines to a detention basin, and outfalls into Dry Creek.

### **100-Year Flood Plain**

According to the District’s Engineer, none of the developable land located within the District is located within the current 100-year flood plain as shown on Flood Insurance Rate Maps for Fort Bend County, Texas, and Incorporated Areas (Firm Panels 48157C0245L and 48157C0265L) dated April 2, 2014.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

## LEGAL MATTERS

### Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving 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 Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel (“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. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds as described under “TAX MATTERS” below. The opinion of Bond Counsel will be printed on the Bonds; however, errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Underwriter to accept delivery of and pay for the Bonds. Moreover, the statutes, regulations, rulings, and court decisions as to the excludability of interest on the Bonds from gross income on which such opinions are based are subject to change.

### Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P., has reviewed the information appearing in this Official Statement under the captions “THE BONDS” (except for “Book Entry Only System”), “THE DISTRICT - Authority,” - “Annexation and Abolishment,” - “Contracts,” and - “Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such parties' 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 information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

### No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or, to the knowledge of the signatories, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### No Material Adverse Change

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

## TAX MATTERS

### Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds,” the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond 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 its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law 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 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 or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether 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 Bond Counsel. If an Internal Revenue Service 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.

### **Federal Income Tax Accounting Treatment of Original Issue Discount Bonds**

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

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

### **Federal Income Tax Accounting Treatment of Premium Bonds**

The initial public offering price of certain bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchase of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

### **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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a *de minimus* 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.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **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 proposal could limit the value of certain deduction and exclusions, including the exclusion of 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.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2)

of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

### NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and 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 of the Bonds, to the effect that no litigation of any nature is pending against or, to the knowledge of the District's certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for 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.

### OFFICIAL STATEMENT

#### General

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

The District's audited financial statements for the fiscal year ended April 30, 2017, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC has consented to the publication of such financial information in this Official Statement.

#### Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT" and "THE SYSTEM" has been provided by IDS Engineering Group, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Esther Flores and Tax Tech, Inc. and the Appraisal District. Such information has been included herein in reliance upon Esther Flores and Tax Tech, Inc.'s authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax appraisal.



## **Certification as to Official Statement**

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

## **Updating of Official Statement**

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter 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 so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA" and in "APPENDIX B." The District will update and provide this information within six months after the end of each fiscal year ending in and after 2018.

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's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

## **Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-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 SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

## **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at [www.emma.msrb.org](http://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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 152 as of the date shown on the first page hereof.

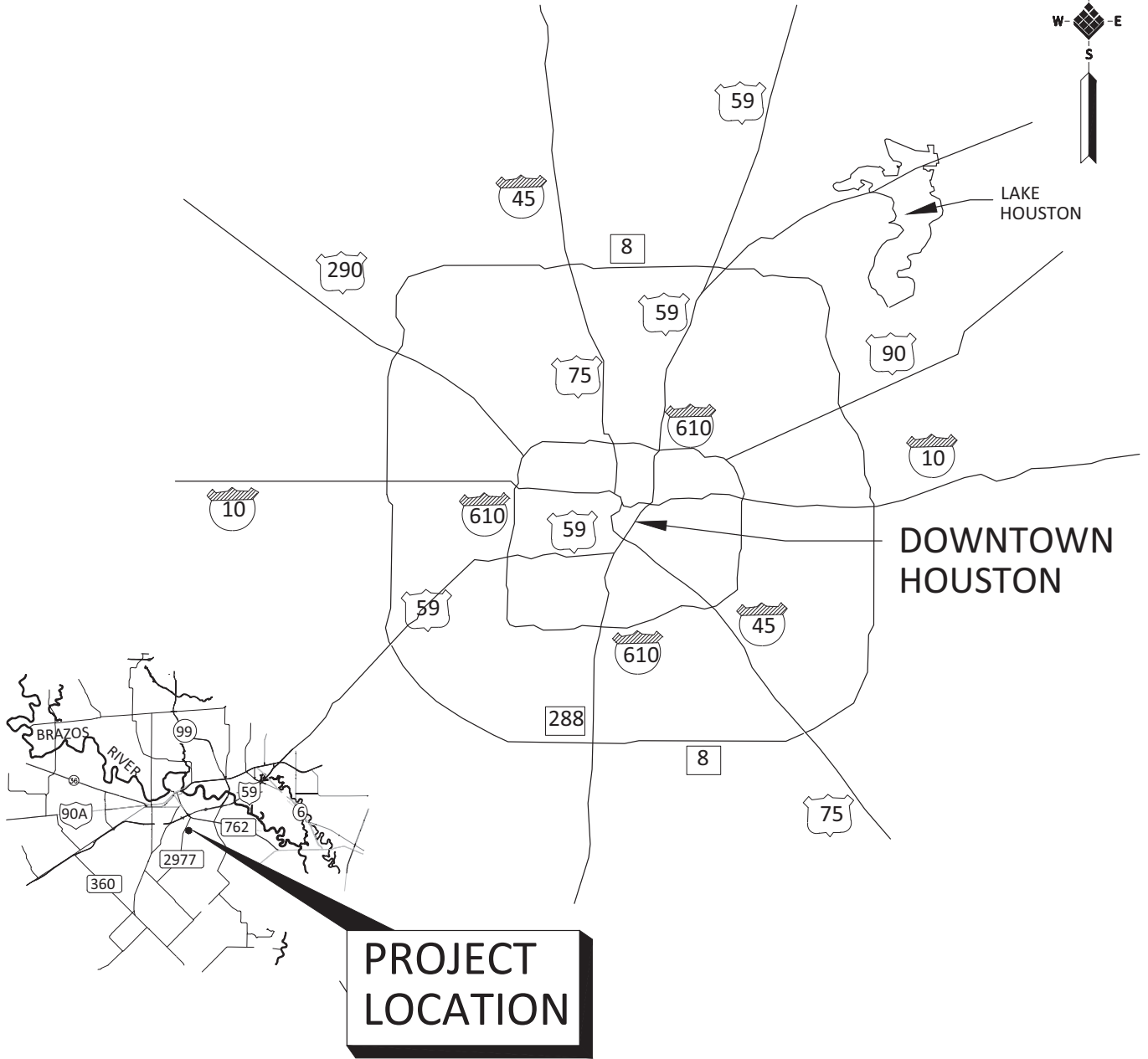
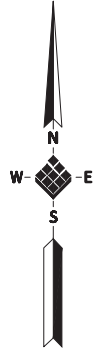
/s/ R. F. Douds  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 152

ATTEST:

/s/ Debra Greenwood-Sharp  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 152



APPENDIX A  
LOCATION MAP



13430 NW. Freeway  
Suite 700  
Houston, Tx. 77040  
713.462.3178  
TBPE F-002726  
TBPLS 10110700

VICINITY MAP

Scale: N.T.S.  
Date: July 19, 2017



**APPENDIX B**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**APRIL 30, 2017**





**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**APRIL 30, 2017**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**APRIL 30, 2017**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fort Bend County Municipal  
Utility District No. 152  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 152 (the "District"), as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.





Board of Directors  
Fort Bend County Municipal  
Utility District No. 152

## 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 April 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

August 9, 2017



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

Management’s discussion and analysis of Fort Bend County Municipal Utility District No. 152’s (the “District”) financial performance provides an overview of the District’s financial activities for year ended April 30, 2017. Please read it in conjunction with the District’s financial statements.

**USING THIS FINANCIAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The government-wide Statement of Activities reports how the District’s net position changed during the year ended April 30, 2017. All revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for financial resources collected and administered by the District for the construction and operation of the joint wastewater treatment plant and lift station. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”). Budgetary comparison schedules are included as RSI for the General Fund and each Special Revenue Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$128,920 as of April 30, 2017.

A portion of the District’s net position reflects its net investment in capital assets (land, buildings and equipment as well as water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 3,809,364	\$ 2,624,103	\$ 1,185,261
Capital Assets (Net of Accumulated Depreciation)	12,447,652	12,621,978	(174,326)
Total Assets	<u>\$ 16,257,016</u>	<u>\$ 15,246,081</u>	<u>\$ 1,010,935</u>
Due to Developer	\$ 5,182,650	\$ 7,926,485	\$ 2,743,835
Long -Term Liabilities	8,066,874	3,841,134	(4,225,740)
Other Liabilities	3,136,412	3,467,286	330,874
Total Liabilities	<u>\$ 16,385,936</u>	<u>\$ 15,234,905</u>	<u>\$ (1,151,031)</u>
Net Assets:			
Net Investment in Capital Assets	\$ (1,634,401)	\$ (1,052,698)	\$ (581,703)
Restricted	749,956	586,972	162,984
Unrestricted	755,525	476,902	278,623
Total Net Position	<u>\$ (128,920)</u>	<u>\$ 11,176</u>	<u>\$ (140,096)</u>

The following table provides a summary of the District's operations for the years ended April 30, 2017, and April 30, 2016.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,223,396	\$ 883,126	\$ 340,270
Charges for Services	1,512,102	1,734,628	(222,526)
Other Revenues	21,249	28,082	(6,833)
Total Revenues	<u>\$ 2,756,747</u>	<u>\$ 2,645,836</u>	<u>\$ 110,911</u>
Expenses for Services	<u>(2,896,843)</u>	<u>(2,315,865)</u>	<u>(580,978)</u>
Change in Net Position	\$ (140,096)	\$ 329,971	\$ (470,067)
Net Position, Beginning of Year	<u>11,176</u>	<u>(318,795)</u>	<u>329,971</u>
Net Position, End of Year	<u>\$ (128,920)</u>	<u>\$ 11,176</u>	<u>\$ (140,096)</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of April 30, 2017, were \$809,536, an increase of \$538,276 from the prior year.

The General Fund fund balance increased by \$273,860, primarily due service revenues and transfer from the Capital Projects Fund exceeding operating expenditures.

The Special Revenue Fund is revenue neutral.

The Debt Service Fund fund balance increased by \$178,191, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$990,327, due to the sale of Bond Anticipation Note Series 2016.

**GENERAL FUND AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the General Fund budget during the current fiscal. Actual revenues were \$183,409 more than budgeted revenues. Actual expenditures were \$21,137 less than budgeted expenditures. The Board of Directors did not amend the Special Revenue Fund budgets during the current fiscal year.

**CAPITAL ASSETS**

Capital assets as of April 30, 2017, total \$12,447,652 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Capital asset events during the current fiscal year included reimbursing the developer for the costs associated with the construction of water, wastewater and drainage facilities to serve Irby Cobb Boulevard and Rosehaven, Sections 1 and 2, drainage and detention ponds to serve Rosehaven subdivision; Walnut Creek Subdivision, Sections 3, 5 and 9; storm water pollution prevention planning to serve Irby Cobb Boulevard and Rosehaven subdivisions; detention basin land costs; and master drainage plan for Walnut Creek Subdivision. Construction in progress includes the Wastewater Treatment Plant, Phase 4 and Lift Station No. 1, Phase 3 expansions. Additional information on the District's capital assets can be found in Note 6 of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2017**

**CAPITAL ASSETS (Continued)**

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 477,114	\$ 477,114	\$
Construction in Progress	121,093	1,599,583	(1,478,490)
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,798,033	1,826,170	(28,137)
Wastewater System	5,028,446	3,589,933	1,438,513
Drainage System	5,022,966	5,129,178	(106,212)
Total Net Capital Assets	\$ 12,447,652	\$ 12,621,978	\$ (174,326)

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total long-term debt payable of \$8,400,000. The changes in the debt position of the District during the fiscal year ended April 30, 2017, are summarized as follows:

Bond Debt Payable, May 1, 2016	\$ 6,115,000
Add: Bond Sale - Series 2016	4,460,000
Less: BAN Principal Paid	2,070,000
Less: Bond Principal Paid	105,000
Bond Debt Payable, April 30, 2017	\$ 8,400,000

The District's bonds are not rated.

**OTHER INFORMATION**

On September 21, 2016, the District closed on the sale of its \$1,423,000 Series 2016 Bond Anticipation Note (BAN).

As of the date of this report, the District is expected to close on the sale of its \$2,725,000 Series 2017 Unlimited Tax Bonds on August 23, 2017. The District will use proceeds of the bonds to reimburse the developer for the remaining costs associated with construction of facilities to serve Walnut Creek, Section 3, 5 and 9 and Irby Cobb Boulevard; to fund the District's share of the Wastewater Treatment Plant Expansion, Phase III; pay-off the Series 2016 BAN; pay developer interest and BAN interest; and pay for the bond issuance costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2017**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 152, c/o Smith, Murdaugh, Little & Bonham, LLP, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.



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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**APRIL 30, 2017**

		Special Revenue Funds	
	General Fund	Wastewater Treatment Plant	Lift Station
<b>ASSETS</b>			
Cash	\$ 758,204	\$ 1,136,703	\$ 915,866
Receivables:			
Property Taxes	12,066		
Penalty and Interest on Delinquent Taxes Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	58,162		
Due from Other Funds	712,760		
Prepaid Costs		92,080	
Due from Other Governments		(694)	
Advance for Regional Wastewater Treatment Plant Operations	30,000		
Land			
Construction in Progress			
Capital Assets (Net of Accumulated Depreciation)			
<b>TOTAL ASSETS</b>	<b>\$ 1,571,192</b>	<b>\$ 1,228,089</b>	<b>\$ 915,866</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 89,609	\$ 30,830	\$ 1,494
Accrued Interest Payable			
Due to Other Governments	625	655,849	659,195
Due to Developer			
Due to Other Funds	680,132	451,410	255,177
Due to Taxpayers			
Security Deposits	45,301		
Reserved for Wastewater Treatment Plant Operations		90,000	
Bond Anticipation Note Payable			
Long-Term Liabilities:			
Due Within One Year			
Due After One Year			
<b>TOTAL LIABILITIES</b>	<b>\$ 815,667</b>	<b>\$ 1,228,089</b>	<b>\$ 915,866</b>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 793,758	\$ 30,752	\$ 3,635,283	\$	\$ 3,635,283
10,266		22,332		22,332
			2,201	2,201
		58,162		58,162
	680,132	1,392,892	(1,392,892)	92,080
		92,080		92,080
		(694)		(694)
		30,000	(30,000)	
			477,114	477,114
			121,093	121,093
			11,849,445	11,849,445
<u>\$ 804,024</u>	<u>\$ 710,884</u>	<u>\$ 5,230,055</u>	<u>\$ 11,026,961</u>	<u>\$ 16,257,016</u>
\$	\$	\$ 121,933	\$	\$ 121,933
	9,265	9,265	51,117	60,382
		1,315,669		1,315,669
			5,182,650	5,182,650
6,173		1,392,892	(1,392,892)	
127		127		127
		45,301		45,301
		90,000	(30,000)	60,000
	1,423,000	1,423,000		1,423,000
			110,000	110,000
			8,066,874	8,066,874
<u>\$ 6,300</u>	<u>\$ 1,432,265</u>	<u>\$ 4,398,187</u>	<u>\$ 11,987,749</u>	<u>\$ 16,385,936</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**APRIL 30, 2017**

		Special Revenue Funds	
	General Fund	Wastewater Treatment Plant	Lift Station
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 12,066	\$ -0-	\$ -0-
<b>FUND BALANCES</b>			
Nonspendable:			
Wastewater Treatment Plant Operations	\$ 30,000	\$	\$
Restricted for Authorized Construction:			
Bond Proceeds			
Net Investment Revenues			
Restricted for Debt Service			
Unassigned	713,459		
<b>TOTAL FUND BALANCES</b>	\$ 743,459	\$ - 0 -	\$ - 0 -
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 1,571,192	\$ 1,228,089	\$ 915,866
<b>NET POSITION</b>			
Net Investment in Capital Assets			
Restricted for:			
Debt Service			
Capital Projects			
Unrestricted			
<b>TOTAL NET POSITION</b>			

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 10,266	\$ -0-	\$ 22,332	\$ (22,332)	\$ - 0 -
\$	\$	\$ 30,000	\$ (30,000)	\$
	(722,529)	(722,529)	722,529	
	1,148	1,148	(1,148)	
787,458		787,458	(787,458)	
<u>787,458</u>		<u>713,459</u>	<u>(713,459)</u>	
\$ 787,458	\$ (721,381)	\$ 809,536	\$ (809,536)	\$ - 0 -
<u>\$ 804,024</u>	<u>\$ 710,884</u>	<u>\$ 5,230,055</u>		
			\$ (1,634,401)	\$ (1,634,401)
			748,808	748,808
			1,148	1,148
			<u>755,525</u>	<u>755,525</u>
			<u>\$ (128,920)</u>	<u>\$ (128,920)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**APRIL 30, 2017**

Total Fund Balances - Governmental Funds	\$	809,536
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		12,447,652
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Deferred tax revenues and penalty and interest receivable for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District.		24,533
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (5,182,650)	
Accrued Interest Payable	(51,117)	
Bonds Payable Within One Year	(110,000)	
Bonds Payable After One Year	<u>(8,066,874)</u>	<u>(13,410,641)</u>
Total Net Position - Governmental Activities	\$	<u>(128,920)</u>

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

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	General Fund	Special Revenue Funds	
		Wastewater Treatment Plant	Lift Station
<b>REVENUES</b>			
Property Taxes	\$ 645,541	\$	\$
Water Service	212,618		
Wastewater Service	207,188	856,340	98,623
Fire Service Fees	139,208		
Surface Water Fees	114,133		
Penalty and Interest	22,496		
Tap Connection and Inspection Fees	67,070		
Investment Revenues	726	101	1,320
Miscellaneous Revenues	17,819		
<b>TOTAL REVENUES</b>	<u>\$ 1,426,799</u>	<u>\$ 856,441</u>	<u>\$ 99,943</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 137,498	\$ 2,000	\$ 2,000
Contracted Services	262,195	7,800	7,800
Purchased Water Service	264,223		
Purchased Wastewater Service	211,210		
Utilities	43,721	83,765	5,577
Repairs and Maintenance	160,288	81,877	14,568
Wastewater Treatment Plant Lease		538,340	
Depreciation			
Other	82,465	98,962	1,846
Capital Outlay		43,697	68,152
Debt Service:			
BAN Issuance Costs			
Bond Issuance Costs	34,603		
Bond Principal			
BAN Interest			
Bond Interest			
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 1,196,203</u>	<u>\$ 856,441</u>	<u>\$ 99,943</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 230,596</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ 43,264	\$	\$
Bond Discount			
Long-Term Debt Issued			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 43,264</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 273,860</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>CHANGE IN NET POSITION</b>			
<b>FUND BALANCES/NET POSITION - MAY 1, 2016</b>	<u>469,599</u>		
<b>FUND BALANCES/NET POSITION - APRIL 30, 2017</b>	<u>\$ 743,459</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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



Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 567,577	\$	\$ 1,213,118	\$ 10,278	\$ 1,223,396
		212,618		212,618
		1,162,151	(211,210)	950,941
		139,208		139,208
		114,133		114,133
3,435		25,931	2,201	28,132
		67,070		67,070
984	299	3,430		3,430
		17,819		17,819
<u>\$ 571,996</u>	<u>\$ 299</u>	<u>\$ 2,955,478</u>	<u>\$ (198,731)</u>	<u>\$ 2,756,747</u>
\$ 876	\$	\$ 142,374	\$	\$ 142,374
18,599		296,394		296,394
		264,223		264,223
		211,210	(211,210)	
		133,063		133,063
		256,733		256,733
		538,340		538,340
			392,858	392,858
1,554	154	184,981		184,981
	2,887,756	2,999,605	(2,962,367)	37,238
	41,520	41,520		41,520
	262,380	296,983		296,983
105,000	2,070,000	2,175,000	(2,175,000)	
	11,752	11,752		11,752
<u>267,776</u>	<u></u>	<u>267,776</u>	<u>32,608</u>	<u>300,384</u>
<u>\$ 393,805</u>	<u>\$ 5,273,562</u>	<u>\$ 7,819,954</u>	<u>\$ (4,923,111)</u>	<u>\$ 2,896,843</u>
\$ 178,191	\$ (5,273,263)	\$ (4,864,476)	\$ 4,864,476	\$ -0-
\$	\$ (43,264)	\$	\$	\$
	(133,800)	(133,800)	133,800	
	4,460,000	4,460,000	(4,460,000)	
<u>\$ -0-</u>	<u>\$ 4,282,936</u>	<u>\$ 4,326,200</u>	<u>\$ (4,326,200)</u>	<u>\$ -0-</u>
\$ 178,191	\$ (990,327)	\$ (538,276)	\$ 538,276	\$
			(140,096)	(140,096)
609,267	268,946	1,347,812	(1,336,636)	11,176
<u>\$ 787,458</u>	<u>\$ (721,381)</u>	<u>\$ 809,536</u>	<u>\$ (938,456)</u>	<u>\$ (128,920)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2017**

Net Change in Fund Balances - Governmental Funds	\$ (538,276)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	10,278
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	2,201
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(392,858)
Governmental funds record capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	2,962,367
Governmental funds report bond discounts as other financing uses in the year paid. However, in the government-wide financial statements, the bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the government-wide financial statements.	133,800
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and Statement of Activities is not affected.	2,175,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end and the current amortized portion of bond discounts is added to bond interest expense.	(32,608)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements.	<u>(4,460,000)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (140,096)</u></u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 1. CREATION OF DISTRICT**

Fort Bend County Municipal Utility District No. 152 (the “District”) was created effective July 15, 2005, by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, subject to certain regulatory approvals, to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 31, 2005.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District participates in a joint venture for the operation of an interim regional wastewater treatment plant and lift station. Since the District exercises oversight responsibility of the facilities, the operations are accounted for in the Special Revenue Fund of the District. See Notes 10 and 11. The District does not issue separate financial statements for the facilities.

Financial Statement Presentation

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Fund Financial Statements

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

Governmental Funds

The District has four governmental funds, which are considered to be major funds.

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

Special Revenue Fund-Wastewater Treatment Plant – To account for financial resources collected and administered by the District for the operation of the joint wastewater treatment plant which is a joint venture of the District with Fort Bend County Municipal Utility District No. 155 and Fort Bend County Municipal Utility District No. 158.

Special Revenue Fund-Lift Station – To account for financial resources collected and administered by the District for the operation of the joint lift station which is a joint venture of the District with Fort Bend County Municipal Utility District No. 155 and Fort Bend County Municipal Utility District No. 158.

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

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

Basis of Accounting

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of two or more years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund and each Special Revenue Fund. The budgets were not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

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

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

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2010</u>	<u>Series 2014</u>
Amount Outstanding – April 30, 2017	\$ 2,120,000	\$ 1,820,000
Interest Rates	3.25% - 5.00%	2.00% - 4.00%
Maturity Dates – Beginning/Ending	September 1, 2017/2028, 2031 and 2034	September 1, 2017/2034, 2036 and 2038
Interest Payment Dates	September 1 /March 1	September 1 /March 1
Callable Dates	September 1, 2017*	September 1, 2021*

\* Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Series 2010 term bonds maturing on September 1, 2031, and September 1, 2034, are subject to mandatory redemption beginning September 1, 2029, and September 1, 2032, respectively. Series 2014 term bonds maturing on September 1, 2036, and September 1, 2038, are subject to mandatory redemption beginning September 1, 2035, and September 1, 2037, respectively.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Series 2016
Amount Outstanding – April 30, 2017	\$ 4,460,000
Interest Rates	2.00% - 3.65%
Maturity Dates – Beginning/Ending	September 1, 2018/2032, 2035 and 2039
Interest Payment Dates	September 1 /March 1
Callable Dates	September 1, 2023*

\* Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Series 2016 term bonds maturing on September 1, 2035, and September 1, 2039, are subject to mandatory redemption beginning September 1, 2033, and September 1, 2038, respectively

The following is a summary of transactions regarding long-term liabilities for the year ended April 30, 2017:

	May 1, 2016	Additions	Retirements	April 30, 2017
Bonds Payable	\$ 4,045,000	\$ 4,460,000	\$ 105,000	\$ 8,400,000
Bond Anticipation Note	2,070,000		2,070,000	
Unamortized Discounts	(98,866)	(133,800)	(9,540)	(223,126)
Bonds Payable, Net	\$ 6,016,134	\$ 4,326,200	\$ 2,165,460	\$ 8,176,874
		Amount Due Within One Year		\$ 110,000
		Amount Due After One Year		8,066,874
		Bonds Payable, Net		\$ 8,176,874

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of April 30, 2017, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 110,000	\$ 304,977	\$ 414,977
2019	215,000	300,577	515,577
2020	225,000	294,996	519,996
2021	235,000	288,880	523,880
2022	245,000	282,125	527,125
2023-2027	1,430,000	1,279,552	2,709,552
2028-2032	1,830,000	981,067	2,811,067
2033-2037	2,375,000	564,477	2,939,477
2038-2040	1,735,000	98,897	1,833,897
	<u>\$ 8,400,000</u>	<u>\$ 4,395,548</u>	<u>\$ 12,795,548</u>

As of April 30, 2017, the District had authorized but unissued bonds in the amount of \$34,265,000 for utility facilities, \$25,782,000 for refunding bonds and \$7,355,000 for park and recreational facilities.

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

During the year ended April 30, 2017, the District levied an ad valorem debt service tax rate of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$571,110 on the adjusted taxable valuation of \$95,185,000 for the 2016 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date - October 1, as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

- A. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board (the “MRSB”) through its Electronic Municipal is Market Access system (“EMMA”). This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the respective bonds.
- B. The bond orders state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings, if any, on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the internal Revenue Code, be rebated to the federal government. The minimum frequency for determining the rebatable amount, if any, is on each five-year anniversary of the bond issue.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$3,635,283 and the bank balance was \$3,638,092. Of the bank balance, \$539,940 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at April 30, 2017, as listed below:

	CASH
GENERAL FUND	\$ 758,204
SPECIAL REVENUE FUND - WASTEWATER TREATMENT PLANT	1,136,703
SPECIAL REVENUE FUND - LIFT STATION	915,866
DEBT SERVICE FUND	793,758
CAPITAL PROJECTS FUND	30,752
TOTAL DEPOSITS	\$ 3,635,283

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

its 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, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of April 30, 2017, the District had no investments.

Restrictions

All cash in the Special Revenue Funds are restricted for the construction and operation of the joint wastewater treatment plant and lift station.

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets and the maintenance and repair of capital assets.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for year ended April 30, 2017 is as follows:

	May 1, 2016	Increases	Decreases	April 30, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 477,114	\$	\$	\$ 477,114
Construction in Progress	<u>1,599,583</u>	<u>183,973</u>	<u>1,662,463</u>	<u>121,093</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,076,697</u>	<u>\$ 183,973</u>	<u>\$ 1,662,463</u>	<u>\$ 598,207</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 2,082,192	\$ 20,794	\$	\$ 2,102,986
Wastewater System	4,355,664	1,649,850		6,005,514
Drainage System	<u>5,812,560</u>	<u>26,378</u>		<u>5,838,938</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 12,250,416</u>	<u>\$ 1,697,022</u>	<u>\$ - 0 -</u>	<u>\$ 13,947,438</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 256,022	\$ 48,931	\$	\$ 304,953
Wastewater System	765,731	211,337		977,068
Drainage System	<u>683,382</u>	<u>132,590</u>		<u>815,972</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 1,705,135</u>	<u>\$ 392,858</u>	<u>\$ - 0 -</u>	<u>\$ 2,097,993</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,545,281</u>	<u>\$ 1,304,164</u>	<u>\$ - 0 -</u>	<u>\$ 11,849,445</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 12,621,978</u>	<u>\$ 1,488,137</u>	<u>\$ 1,662,463</u>	<u>\$ 12,447,652</u>

**NOTE 7. MAINTENANCE TAX**

On November 8, 2005, the voters of the District approved the levy and collection of a maintenance tax of not more than \$1.50 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended April 30, 2017, the District levied an ad valorem maintenance tax rate of \$0.68 per \$100 of assessed valuation, which resulted in a tax levy of \$647,258 on the adjusted taxable valuation of \$95,185,000 for the 2016 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks, sanitary sewer and drainage system.

**NOTE 8. UNREIMBURSED COSTS**

In accordance with the terms of the development financing agreement, the developer within the District has made expenditures on behalf of the District for various projects for which the District has not sold bonds. As of the balance sheet date, the District has recorded a liability of \$5,182,650 to the developer for projects that have been completed and developer contributions. Any reimbursement will come from proceeds of future bond sales.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 9. RISK MANAGEMENT**

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

**NOTE 10. INTERIM WASTEWATER TREATMENT PLANT**

On September 21, 2005, the District entered into an operating Lease Agreement with Option to Purchase for a 240,000 gallon per day interim sewage treatment plant. The initial lease term was 24 months, with an option to renew on a month-to-month basis for up to 12 months. In addition to rental, there are charges for installation and equipment retrieval at the end of the term. On April 18, 2011, the District amended the Lease Agreement and entered into a 36-month extension term commencing on May 1, 2011. The District agrees to pay \$4,770 per month during the new extension term. After the 36-month term, the District agrees to pay a monthly fee of \$4,500 until the termination of this agreement.

On April 18, 2011, the District amended the Lease Agreement for the expansion of the existing interim wastewater treatment plant from 0.24 MGD to 0.48MGD. The District agrees to pay \$9,645 per month. The term of this lease is 36 months commencing on the first day of the month following substantial completion of the installation of the leased property.

In December 2014, the District entered into an operating Lease Agreement for the expansion of the existing interim wastewater treatment plant from 0.50 MGD to 0.98 MGD. The District agrees to pay \$31,900 per month. The term of this lease is 24 months commencing on the first day of the month following substantial completion of the installation of the leased property. The monthly payments will reduce to \$24,000 per month for each month beyond the initial term.

The District recorded total lease payments of \$538,340 for the current fiscal year.

On December 13, 2005, the developers for Fort Bend County Municipal Utility District Nos. 155, 158 and the District entered into a Construction Financing Agreement for Interim Wastewater Treatment Plant pursuant to which they agreed to share in the costs of the temporary wastewater treatment facility, including the lease payments.

On August 9, 2006, District Nos. 155, 158 and the District entered into a Construction Financing Agreement for Phase Two of Interim Wastewater Treatment Plant. The agreement was supplemented on February 1, 2009, to establish the terms by which they will finance the design of Phase Three of the interim wastewater treatment plant. Generally speaking, each developer was awarded an undivided equitable interest in a *pro rata* share of the plant's capacity in exchange for agreeing to share in the costs of constructing and operating the plant in the following percentages:

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 10. INTERIM WASTEWATER TREATMENT PLANT (Continued)**

	<u>Capacity in Gallons Per Day</u>	<u>Percentage of Total Capacity</u>
Lennar Homes of Texas Land and Construction, Ltd.- District No. 152	188,640	39.3%
Bonbrook Plantation, L.P. and Beazer Homes Texas, L.P.- District No. 155	193,920	40.4
Ventana Development, Ltd.- District No. 158	<u>97,440</u>	<u>20.3</u>
<b>TOTAL</b>	<u><u>480,000</u></u>	<u><u>100.0%</u></u>

On May 14, 2014, the District entered into a Construction Financing Agreement for Phase Three of the Interim Wastewater Treatment Plant to increase the capacity by 500,000 gpd to 980,000 gpd. Construction costs will be allocated amount the districts based upon the following percentages:

	<u>Capacity in Gallons Per Day</u>	<u>Percentage of Total Capacity</u>
District No. 152	169,885	33.8%
District No. 155	223,490	44.7
District No. 158	<u>107,625</u>	<u>21.5</u>
<b>TOTAL</b>	<u><u>501,000</u></u>	<u><u>100.0%</u></u>

Lennar and/or the District will be responsible for invoicing the pro rata share of construction and operating costs to each district. The agreement will terminate at such time as the interim plant is removed from operation and the site and all construction and operating costs have been fully paid. The interim wastewater treatment plant became operational in August of 2007.

On April 6, 2016, the District entered into a Construction Financing Agreement for Phase Four to construct additional improvements of the Interim Wastewater Treatment Plant Construction costs will be allocated amount the districts based upon the following percentages:

	<u>Capacity in Gallons Per Day</u>	<u>Percentage of Total Capacity</u>
District No. 152	374,500	38.21%
District No. 155	420,500	42.91
District No. 158	<u>185,000</u>	<u>18.88</u>
<b>TOTAL</b>	<u><u>980,000</u></u>	<u><u>100.00%</u></u>

The Wastewater Treatment Plant Fund established a reserve in the amount of \$90,000 of which each district's share is \$30,000.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 11. SOUTH MASTER LIFT STATION AND FORCE MAIN AGREEMENT**

On September 5, 2006, the District entered into a Construction Financing Agreement for South Master Lift Station and Force Main (the “Facilities”) with the City of Rosenberg and District Nos. 155 and 158. The districts agreed that the construction cost shall be allocated based on the number of equivalent single family residential connections (“ESFC”) within each district to be initially served by Phase One and Two of the Facilities in the following percentages:

	Phase 1		Phase 2	
	ESFC	Percentage of Total ESFC	ESFC	Percentage of Total ESFC
District No. 152	299	39.24%	351	46.06%
District No. 155	308	40.42	330	43.31
District No. 158	<u>155</u>	<u>20.34</u>	<u>81</u>	<u>10.63</u>
TOTAL	<u>762</u>	<u>100.00%</u>	<u>762</u>	<u>100.00%</u>

The Facilities shall be owned and operated by the District until the first phase of the permanent regional wastewater treatment plant is completed at which time the Facilities shall be conveyed to the City of Rosenberg for ownership and operation.

On August 2, 2016, the District has entered into a Construction Finance Agreement for the Second Lift Station and Force Main with District Nos. 155, No. 158 and the City of Rosenberg. In the agreement, the District agreed to design, construct, repair, own, operate, and maintain facilities in accordance with the terms of the agreement so as to adequately provide for the wastewater needs of all three districts. The District shall act on behalf of all three parties to the agreement and hold title to the facilities for the benefit of all three parties. Construction costs will be allocated amount the districts based upon the following percentages:

	ESFC	Gallons Per Day	Percentage of Total ESFC
District No. 152	679	169,750	33.96%
District No. 155	878	219,500	43.91
District No. 158	<u>443</u>	<u>110,750</u>	<u>22.13</u>
TOTAL	<u>2,000</u>	<u>500,000</u>	<u>100.00%</u>

**NOTE 12. COST SHARING AGREEMENT FOR WASTEWATER TREATMENT PLANT SITE ACQUISITION**

On September 20, 2005, various developers (to serve projects planned in Fort Bend County Municipal Utility District Nos. 152, 155, 158 and 162), the City of Rosenberg and Fort Bend County Municipal Utility District No. 158 entered into a Cost Sharing Agreement for Wastewater Treatment Plant Site Acquisition. The total cost for the site was funded by developers (to be recouped on a *pro rata* basis through a credit against connection fees). As part of the agreement, the site was conveyed to the City by District No. 158.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 13. WATER SUPPLY AND WASTEWATER SERVICE AGREEMENT**

On February 22, 2005, the Developer entered into a Water Supply and Wastewater Services Agreement (the "Agreement") with the City of Rosenberg, Texas, (the "City"). This Agreement was later assigned to the District on September 15, 2005. This Agreement was amended on May 17, 2011. The Agreement provides for the District to obtain water supply and wastewater treatment services from the City on a permanent basis. The City will provide an initial 987 equivalent single family connections of service to the District subject to the completion of construction of all necessary water and wastewater facilities required to connect to the City's system. Upon meeting certain conditions, the City will provide service for up to 1,690 equivalent single family connections. The Agreement requires a one-time charge to the developer for each equivalent single-family connection to cover capital costs incurred by the City. The term of the Agreement is 25 years and automatically renews for consecutive one-year terms unless terminated. The City has ceased providing wastewater service to the District now that the interim wastewater treatment plant is operational.

**NOTE 14. INTERFUND BALANCES AND TRANSFERS**

The Special Revenue Fund recorded a payable to the General Fund in the amount of \$706,587 for General Fund advances in excess of operational and construction costs to date. The Debt Service Fund (Tax Account) recorded a payable to the General Fund in the amount of \$6,173 for maintenance tax collections. The General Fund recorded a payable to the Capital Projects Fund in the amount of \$680,132 for amounts paid with bond proceeds.

During the current fiscal year, the Capital Projects Fund transferred \$43,264 to the General Fund to reimburse for bond issuance costs paid in the prior fiscal year.

**NOTE 15. FIRE PROTECTION AGREEMENT**

The District entered into a Fire Protection Agreement with the City of Rosenberg, Texas (the "City") which provides that the City will provide fire protection to persons, buildings and property located within the District within the City's extraterritorial jurisdiction. This agreement became effective after receipt of approval of the plan from the Commission and the Board of Directors declaring the favorable results of the voter election to approve the fire plan in November of 2008. The term of the agreement is 20 years, and is automatically renewed for successive one-year terms. The agreement was restated and amended on September 12, 2012.

Under the terms of the agreement, the District makes monthly payments of (1) \$11.00 for each residential unit in the District that is connected to the public water supply system; and (2) \$11.00 per 2,000 square feet or part thereof of building floor area for every improved non-residential property. These monthly charges will remain in effect from December 1, 2008, until September 1, 2009, and thereafter are adjusted annually for 100% of the increase or decrease, if

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2017**

**NOTE 15. FIRE PROTECTION AGREEMENT (Continued)**

any, between the most recently published Consumer Price Index (CPI) and the CPI for the preceding calendar year. The District will also pay the City a cash contribution toward the capital cost of the new fire station. Once bids are received, the City will invoice the District for any unfunded portion of the cash contribution.

Effective January 1, 2014, each equivalent residential connection is charged \$20.00 per month and each commercial connection is charged \$20.00 per 2,000 square feet or part thereof of building floor area. During the current fiscal year, the District recorded fire protection service revenues in the amount of \$139,208 and expenditures in the amount of \$139,220.

**NOTE 16. BOND ANTICIPATION NOTE AND DEFICIT FUND BALANCE**

On September 21, 2016, the District closed on the sale of its \$1,423,000 Series 2016 Bond Anticipation Note (BAN) at a net effective interest rate of 1.22% per annum. The District used proceeds of the BAN to reimburse the developer for 70% of certain costs associated with construction of facilities to serve Walnut Creek, Section 3, 5 and 9 and Irby Cobb Boulevard; to fund the District's share of the Wastewater Treatment Plant Expansion, Phase III; and pay certain BAN issuance costs.

Governmental accounting requires the liability for the BAN payable to be recorded in the Capital Projects Fund and the uses of the BAN proceeds as current expenditures of the Capital Projects Fund since the District did not issue bonds to pay off the BAN prior to the report date. The District anticipates the Capital Projects Fund deficit fund balance will be alleviated with proceeds of the District's upcoming bond sale.

**NOTE 17. BOND SALE**

On June 14, 2016, the District closed on the sale of its \$4,460,000 Series 2016 Unlimited Tax Bonds. The District used proceeds of the bonds to reimburse the developer for the remaining costs associated with construction of facilities to serve Rosehaven, Sections 1 and 2; a portion of Irby Cobb Boulevard facilities; detention facilities to serve Rosehaven Subdivision – Phase I and land acquisition costs; pay-off the Series 2015 BAN; pay developer interest and BAN interest; and pay for the bond issuance costs.

As of the date of this report, the District is expected to close on the sale of its \$2,725,000 Series 2017 Unlimited Tax Bonds on August 23, 2017. The District will use proceeds of the bonds to reimburse the developer for the remaining costs associated with construction of facilities to serve Walnut Creek, Section 3, 5 and 9 and Irby Cobb Boulevard; to fund the District's share of the Wastewater Treatment Plant Expansion, Phase III; pay-off the Series 2016 BAN; pay developer interest and BAN interest; and pay for the bond issuance costs.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**

**REQUIRED SUPPLEMENTARY INFORMATION**

**APRIL 30, 2017**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 530,000	\$ 645,541	\$ 115,541
Water Service	290,000	212,618	(77,382)
Wastewater Service	210,000	207,188	(2,812)
Fire Service Fees	135,240	139,208	3,968
Surface Water Fees		114,133	114,133
Penalty and Interest	12,650	22,496	9,846
Tap Connection and Inspection Fees	65,000	67,070	2,070
Investment Revenues	500	726	226
Miscellaneous Revenues		17,819	17,819
<b>TOTAL REVENUES</b>	<b>\$ 1,243,390</b>	<b>\$ 1,426,799</b>	<b>\$ 183,409</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 185,500	\$ 137,498	\$ 48,002
Contracted Services	259,240	262,195	(2,955)
Purchased Water Service	280,000	264,223	15,777
Purchased Wastewater Service	205,500	211,210	(5,710)
Utilities	30,000	43,721	(13,721)
Repairs and Maintenance	140,000	160,288	(20,288)
Other	117,100	82,465	34,635
Debt Service:			
Bond Issuance Costs		34,603	(34,603)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,217,340</b>	<b>\$ 1,196,203</b>	<b>\$ 21,137</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 26,050</b>	<b>\$ 230,596</b>	<b>\$ 204,546</b>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	\$ -0-	\$ 43,264	\$ 43,264
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 26,050</b>	<b>\$ 273,860</b>	<b>\$ 247,810</b>
<b>FUND BALANCE - MAY 1, 2016</b>	<b>469,599</b>	<b>469,599</b>	
<b>FUND BALANCE - APRIL 30, 2017</b>	<b>\$ 495,649</b>	<b>\$ 743,459</b>	<b>\$ 247,810</b>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Wastewater Service	\$ 885,500	\$ 856,340	\$ (29,160)
Investment Revenues		101	101
<b>TOTAL REVENUES</b>	<b>\$ 885,500</b>	<b>\$ 856,441</b>	<b>\$ (29,059)</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 9,500	\$ 2,000	\$ 7,500
Contracted Services	9,000	7,800	1,200
Utilities	100,000	83,765	16,235
Repairs and Maintenance	64,000	81,877	(17,877)
Wastewater Treatment Plant Lease	552,500	538,340	14,160
Other	150,500	98,962	51,538
Capital Outlay		43,697	(43,697)
<b>TOTAL EXPENDITURES</b>	<b>\$ 885,500</b>	<b>\$ 856,441</b>	<b>\$ 29,059</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>FUND BALANCE - MAY 1, 2016</b>			
<b>FUND BALANCE - APRIL 30, 2017</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

See accompanying independent auditor's report.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND – LIFT STATION**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Wastewater Service	\$ 48,820	\$ 98,623	\$ 49,803
Investment Revenues		1,320	1,320
<b>TOTAL REVENUES</b>	\$ 48,820	\$ 99,943	\$ 51,123
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 1,600	\$ 2,000	\$ (400)
Contracted Services	7,800	7,800	
Utilities	8,500	5,577	2,923
Repairs and Maintenance	28,000	14,568	13,432
Other	2,920	1,846	1,074
Capital Outlay		68,152	(68,152)
<b>TOTAL EXPENDITURES</b>	\$ 48,820	\$ 99,943	\$ (51,123)
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - MAY 1, 2016</b>	_____	_____	_____
<b>FUND BALANCE - APRIL 30, 2017</b>	\$ -0-	\$ -0-	\$ -0-

See accompanying independent auditor's report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**APRIL 30, 2017**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):**

Based on the rate order effective April 12, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 16.00	2,000	N	\$ 2.55 \$ 2.94	2,001 to 10,000 10,001 and up
WASTEWATER:	\$ 20.00*	2,000	N	\$ 2.79 \$ 2.97	2,001 to 10,000 10,001 and up
SURCHARGE:					
Fire Protection Service Fee			Y	\$20.00	
Surface Water Fee			N	\$ 2.20	0,001 and up

District employs winter averaging for wastewater usage?   X    
Yes                              
No

Total monthly charges per 10,000 gallons usage: Water: \$36.40 Wastewater: \$42.32 Surcharge: \$42.00 Total: \$120.72

\* Includes garbage and recycling

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>570</u>	<u>562</u>	x 1.0	<u>562</u>
1"	<u>1</u>	<u>1</u>	x 2.5	<u>3</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>9</u>	<u>8</u>	x 8.0	<u>64</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>583</u></u>	<u><u>574</u></u>		<u><u>664</u></u>
Total Wastewater Connections	<u><u>569</u></u>	<u><u>560</u></u>	x 1.0	<u><u>560</u></u>

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

Gallons pumped into system:	53,348,000	Water Accountability Ratio: 100% (Gallons billed/Gallons pumped)
Gallons billed to customers:	53,348,000	From: City of Rosenberg, Texas

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ's in which District is located:

City of Rosenberg, Texas.

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

PROFESSIONAL FEES:	
Auditing	\$ 12,000
Engineering	40,619
Legal	<u>84,879</u>
TOTAL PROFESSIONAL FEES	<u>\$ 137,498</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 264,223
Purchased Wastewater Service	<u>211,210</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 475,433</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 15,665
Operations and Billing	<u>24,638</u>
TOTAL CONTRACTED SERVICES	<u>\$ 40,303</u>
UTILITIES - Street Lights	<u>\$ 43,721</u>
REPAIRS AND MAINTENANCE	<u>\$ 160,288</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 9,750
Dues	580
Election Costs	5,043
Insurance	4,785
Office Supplies and Postage	12,235
Payroll Taxes	769
Travel and Meetings	<u>3,389</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 36,551</u>
TAP CONNECTIONS	<u>\$ 28,321</u>

See accompanying independent auditor's report.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

SOLID WASTE DISPOSAL	<u>\$ 82,672</u>
FIRE FIGHTING	<u>\$ 139,220</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 948
Permit Fees	654
Inspection Fees	13,947
Regulatory Assessment	<u>2,044</u>
TOTAL OTHER EXPENDITURES	<u>\$ 17,593</u>
DEBT SERVICE:	
Bond Issuance Costs	<u>\$ 34,603</u>
TOTAL EXPENDITURES	<u>\$ 1,196,203</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MAY 1, 2016	\$	7,303	\$	4,751
Adjustments to Beginning				
Balance		<u>3,046</u>	\$	<u>1,982</u>
		\$	10,349	\$
			<u>1,982</u>	6,733
Original 2016 Tax Levy	\$	627,835	\$	553,972
Adjustment to 2016 Tax Levy		<u>19,423</u>	<u>647,258</u>	<u>571,110</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	657,607	\$
				577,843
TAX COLLECTIONS:				
Prior Years	\$	8,708	\$	5,665
Current Year		<u>636,833</u>	<u>645,541</u>	<u>567,577</u>
TAXES RECEIVABLE -				
APRIL 30, 2017		<u>\$</u>	<u>12,066</u>	<u>\$</u>
				<u>10,266</u>
TAXES RECEIVABLE BY				
YEAR:				
2016	\$	10,425	\$	9,198
2015		<u>1,641</u>		<u>1,068</u>
TOTAL		<u>\$</u>	<u>12,066</u>	<u>\$</u>
				<u>10,266</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	2016	2015	2014	2013
PROPERTY VALUATIONS:				
Land	\$ 21,337,850	\$ 16,289,380	\$ 12,337,320	\$ 10,740,190
Improvements	81,295,110	59,025,280	39,066,830	32,872,080
Personal Property	507,080	337,950	336,420	226,940
Exemptions	<u>(7,955,040)</u>	<u>(11,187,498)</u>	<u>(9,724,490)</u>	<u>(9,820,460)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 95,185,000</u>	<u>\$ 64,465,112</u>	<u>\$ 42,016,080</u>	<u>\$ 34,018,750</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.60	\$ 0.54	\$ 0.54	\$ 0.60
Maintenance**	<u>0.68</u>	<u>0.83</u>	<u>0.91</u>	<u>0.85</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.28</u>	<u>\$ 1.37</u>	<u>\$ 1.45</u>	<u>\$ 1.45</u>
ADJUSTED TAX LEVY*	<u>\$ 1,218,368</u>	<u>\$ 883,171</u>	<u>\$ 609,233</u>	<u>\$ 493,270</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.39 %</u>	<u>99.69 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

\*\* Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 8, 2005.

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**APRIL 30, 2017**

S E R I E S - 2 0 1 0				
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 60,000	\$ 97,667	\$	157,667
2019	70,000	95,467		165,467
2020	75,000	92,836		167,836
2021	80,000	89,830		169,830
2022	85,000	86,445		171,445
2023	90,000	82,680		172,680
2024	95,000	78,563		173,563
2025	100,000	74,176		174,176
2026	110,000	69,382		179,382
2027	115,000	64,106		179,106
2028	120,000	58,524		178,524
2029	130,000	52,587		182,587
2030	140,000	46,000		186,000
2031	150,000	38,750		188,750
2032	160,000	31,000		191,000
2033	170,000	22,750		192,750
2034	180,000	14,000		194,000
2035	190,000	4,750		194,750
2036				
2037				
2038				
2039				
2040				
	\$ 2,120,000	\$ 1,099,513	\$	3,219,513

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**APRIL 30, 2017**

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2018	\$ 50,000	\$ 65,750	\$	115,750
2019	40,000	64,600		104,600
2020	40,000	63,800		103,800
2021	40,000	62,940		102,940
2022	40,000	61,980		101,980
2023	40,000	60,930		100,930
2024	45,000	59,705		104,705
2025	45,000	58,310		103,310
2026	40,000	56,920		96,920
2027	45,000	55,485		100,485
2028	45,000	53,955		98,955
2029	45,000	52,402		97,402
2030	45,000	50,828		95,828
2031	40,000	49,320		89,320
2032	40,000	47,860		87,860
2033	40,000	46,360		86,360
2034	40,000	44,800		84,800
2035	45,000	43,100		88,100
2036	245,000	37,300		282,300
2037	255,000	27,300		282,300
2038	270,000	16,800		286,800
2039	285,000	5,700		290,700
2040				
	\$ 1,820,000	\$ 1,086,145	\$	2,906,145

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**APRIL 30, 2017**

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2018	\$	\$	\$
2019	105,000	141,560	141,560
2020	110,000	140,510	245,510
2021	115,000	138,360	248,360
2022	120,000	136,110	251,110
2023	120,000	133,700	253,700
2024	130,000	130,945	260,945
2025	130,000	127,825	257,825
2026	140,000	124,310	264,310
2027	150,000	120,320	270,320
2028	155,000	115,895	270,895
2029	165,000	111,095	276,095
2030	170,000	105,985	275,985
2031	180,000	100,470	280,470
2032	195,000	94,421	289,421
2033	205,000	87,870	292,870
2034	215,000	80,940	295,940
2035	230,000	73,425	303,425
2036	240,000	65,318	305,318
2037	255,000	56,779	311,779
2038	270,000	47,655	317,655
2039	280,000	37,890	317,890
2040	295,000	27,466	322,466
	605,000	11,041	616,041
	\$ 4,460,000	\$ 2,209,890	\$ 6,669,890

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**APRIL 30, 2017**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 110,000	\$ 304,977	\$ 414,977
2019	215,000	300,577	515,577
2020	225,000	294,996	519,996
2021	235,000	288,880	523,880
2022	245,000	282,125	527,125
2023	260,000	274,555	534,555
2024	270,000	266,093	536,093
2025	285,000	256,796	541,796
2026	300,000	246,622	546,622
2027	315,000	235,486	550,486
2028	330,000	223,574	553,574
2029	345,000	210,974	555,974
2030	365,000	197,298	562,298
2031	385,000	182,491	567,491
2032	405,000	166,730	571,730
2033	425,000	150,050	575,050
2034	450,000	132,225	582,225
2035	475,000	113,168	588,168
2036	500,000	94,079	594,079
2037	525,000	74,955	599,955
2038	550,000	54,690	604,690
2039	580,000	33,166	613,166
2040	605,000	11,041	616,041
	<u>\$ 8,400,000</u>	<u>\$ 4,395,548</u>	<u>\$ 12,795,548</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED APRIL 30, 2017**

Description	Original Bonds Issued	Bonds Outstanding May 1, 2016
Fort Bend County Municipal Utility District No. 152 Unlimited Tax Bonds - Series 2010	\$ 2,380,000	\$ 2,180,000
Fort Bend County Municipal Utility District No. 152 Unlimited Tax Bonds - Series 2014	1,865,000	1,865,000
Fort Bend County Municipal Utility District No. 152 Unlimited Tax Bonds - Series 2016	<u>4,460,000</u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 8,705,000</u></u>	<u><u>\$ 4,045,000</u></u>

Bond Authority:	Tax Bonds*	Refunding Bonds	Park and Recreational Bonds
Amount Authorized by Voters	\$ 42,970,000	\$ 25,782,000	\$ 7,355,000
Amount Issued	<u>8,705,000</u>	<u>                    </u>	<u>                    </u>
Remaining to be Issued	<u><u>\$ 34,265,000</u></u>	<u><u>\$ 25,782,000</u></u>	<u><u>\$ 7,355,000</u></u>

Debt Service Fund cash and investment balances as of April 30, 2017: \$ 793,758

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 556,328

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

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

See accompanying independent auditor's report.



<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding April 30, 2017</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 60,000	\$ 99,542	\$ 2,120,000	Wells Fargo Bank N.A. Houston, TX
	45,000	67,175	1,820,000	Wells Fargo Bank N.A. Houston, TX
<u>4,460,000</u>		<u>101,059</u>	<u>4,460,000</u>	Wells Fargo Bank N.A. Houston, TX
<u>\$ 4,460,000</u>	<u>\$ 105,000</u>	<u>\$ 267,776</u>	<u>\$ 8,400,000</u>	

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amount		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 645,541	\$ 531,265	\$ 379,915
Water Service	212,618	206,743	131,183
Wastewater Service	207,188	190,050	133,099
Fire Services Fees	139,208	123,721	98,099
Surface Water Fees	114,133	97,305	38,375
Penalty and Interest	22,496	10,979	9,765
Tap Connection and Inspection Fees	67,070	89,310	110,275
Investment Revenues	726	506	397
Miscellaneous Revenues	17,819	25,704	26,924
<b>TOTAL REVENUES</b>	<b>\$ 1,426,799</b>	<b>\$ 1,275,583</b>	<b>\$ 928,032</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 137,498	\$ 180,633	\$ 123,867
Contracted Services	262,195	228,878	183,432
Purchased Water	264,223	240,989	128,003
Purchased Wastewater	211,210	442,522	87,099
Utilities	43,721	21,159	25,328
Repairs and Maintenance	160,288	259,565	132,245
Other	82,465	98,521	98,866
Capital Outlay			261,164
Bond Issuance Costs	34,603	29,410	8,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,196,203</b>	<b>\$ 1,501,677</b>	<b>\$ 1,048,004</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 230,596</b>	<b>\$ (226,094)</b>	<b>\$ (119,972)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ 43,264	\$	\$ 41,496
Developer Contributions-Operating Advances			
Developer Contributions-Construction Advances		181,938	261,164
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 43,264</b>	<b>\$ 181,938</b>	<b>\$ 302,660</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 273,860</b>	<b>\$ (44,156)</b>	<b>\$ 182,688</b>
<b>BEGINNING FUND BALANCE</b>	<b>469,599</b>	<b>513,755</b>	<b>331,067</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 743,459</b>	<b>\$ 469,599</b>	<b>\$ 513,755</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 293,205	\$ 233,880	45.2 %	41.7 %	41.0 %	42.3 %	44.3 %
122,274	109,690	14.9	16.2	14.1	17.6	20.8
106,955	74,620	14.5	14.9	14.3	15.4	14.2
68,427	42,533	9.8	9.7	10.6	9.9	8.1
31,205	22,436	8.0	7.6	4.1	4.5	4.3
13,311	5,920	1.6	0.9	1.1	1.9	1.1
48,730	23,200	4.7	7.0	11.9	7.0	4.4
189	358	0.1				0.1
9,612	14,457	1.2	2.0	2.9	1.4	2.7
<u>\$ 693,908</u>	<u>\$ 527,094</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 89,890	\$ 84,581	9.6 %	14.2 %	13.3 %	12.9 %	16.0 %
274,263	89,294	18.4	17.9	19.8	39.5	16.9
113,745	99,017	18.5	18.9	13.8	16.4	18.8
179,606	185,223	14.8	34.7	9.4	25.9	35.1
19,866	30,678	3.1	1.7	2.7	2.9	5.8
66,984	42,336	11.2	20.3	14.3	9.7	8.0
66,310	57,105	5.8	7.7	10.7	9.5	10.8
41,443		2.4	2.3	0.9	6.0	
<u>\$ 852,107</u>	<u>\$ 588,234</u>	<u>83.8 %</u>	<u>117.7 %</u>	<u>113.0 %</u>	<u>122.8 %</u>	<u>111.4 %</u>
<u>\$ (158,199)</u>	<u>\$ (61,140)</u>	<u>16.2 %</u>	<u>(17.7) %</u>	<u>(13.0) %</u>	<u>(22.8) %</u>	<u>(11.4) %</u>
\$ 135,318	\$					
<u>\$ 135,318</u>	<u>\$ - 0 -</u>					
\$ (22,881)	\$ (61,140)					
<u>353,948</u>	<u>415,088</u>					
<u>\$ 331,067</u>	<u>\$ 353,948</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amount		
	2017	2016	2015
<b>REVENUES</b>			
Property Taxes	\$ 567,577	\$ 345,442	\$ 225,568
Penalty and Interest	3,435	2,719	1,516
Investment Revenues	984	713	663
<b>TOTAL REVENUES</b>	<b>\$ 571,996</b>	<b>\$ 348,874</b>	<b>\$ 227,747</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 19,779	\$ 18,125	\$ 15,018
Debt Service Principal	105,000	55,000	50,000
Debt Service Interest and Fees	269,026	191,854	103,343
<b>TOTAL EXPENDITURES</b>	<b>\$ 393,805</b>	<b>\$ 264,979</b>	<b>\$ 168,361</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 178,191</b>	<b>\$ 83,895</b>	<b>\$ 59,386</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$ - 0 -	\$ - 0 -	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	\$ 178,191	\$ 83,895	\$ 59,386
<b>BEGINNING FUND BALANCE</b>	609,267	525,372	465,986
<b>ENDING FUND BALANCE</b>	<b>\$ 787,458</b>	<b>\$ 609,267</b>	<b>\$ 525,372</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	574	513	425
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	560	500	415

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 207,615	\$ 190,027	99.2 %	99.0 %	99.0 %	97.9 %	98.7 %
3,518	1,600	0.6	0.8	0.7	1.7	0.8
743	912	0.2	0.2	0.3	0.4	0.5
<u>\$ 211,876</u>	<u>\$ 192,539</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 13,152	\$ 11,809	3.5 %	5.2 %	6.6 %	6.2 %	6.1 %
50,000	45,000	18.4	15.8	22.0	23.6	23.4
104,843	106,268	47.0	55.0	45.4	49.5	55.2
<u>\$ 167,995</u>	<u>\$ 163,077</u>	<u>68.9 %</u>	<u>76.0 %</u>	<u>74.0 %</u>	<u>79.3 %</u>	<u>84.7 %</u>
\$ 43,881	\$ 29,462	31.1 %	24.0 %	26.0 %	20.7 %	15.3 %
\$ - 0 -	\$ - 0 -					
\$ 43,881	\$ 29,462					
422,105	392,643					
<u>\$ 465,986</u>	<u>\$ 422,105</u>					
305	251					
<u>296</u>	<u>243</u>					

See accompanying independent auditor's report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**APRIL 30, 2017**

District Mailing Address - Fort Bend County Municipal Utility District No. 152  
c/o Smith, Murdaugh, Little & Bonham, LLP  
2727 Allen Parkway, Suite 1100  
Houston, TX 77019

District Telephone Number - (713) 652-6500

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>April 30, 2017</u>	Expense Reimbursements for the year ended <u>April 30, 2017</u>	<u>Title</u>
R. F. Douds	05/16 05/20 (Elected)	\$ 1,650	\$ -0-	President
Lisa P. Rickert	05/14 05/18 (Elected)	\$ 3,000	\$ 399	Vice President
Debra Greenwood-Sharp	05/16 05/20 (Elected)	\$ 3,000	\$ 1,992	Secretary
Shannon Hartman	05/16 05/20 (Elected)	\$ 900	\$ 9	Assistant Secretary
Priscilla Forkner	09/15 05/18 (Appointed)	\$ 1,200	\$ 115	Assistant Secretary

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

The submission date of the most recent District Registration Form was (TWC Sections 36.054 and 49.054): September 15, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on August 31, 2005. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 152**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**APRIL 30, 2017**

<b>Consultants:</b>	<u>Date Hired</u>	<u>District Fees for the year ended April 30, 2017</u>
Smith, Murdaugh, Little & Bonham, LLP	09/10/08	\$ 89,922 \$ 146,446
McCall Gibson Swedlund Barfoot PLLC	03/08/06	\$ 24,050
Myrtle Cruz, Inc.	08/31/05	\$ 24,101
Perdue Brandon Fielder Collins & Mott LLP	05/09/07	\$ 876
IDS Engineering Group	08/31/05	\$ 75,222
Rathmann & Associates	09/15/05	\$ 104,930
Mary Jarmon	09/15/05	\$ -0-
Si Environmental	05/30/12	\$ 166,420
Tax Tech, Inc.	09/15/05	\$ 10,879

See accompanying independent auditor's report.



<b>Wastewater Treatment Facilities</b> Fees for the year ended April 30, 2017	<b>Lift Station Facilities</b> Fees for the year ended April 30, 2017	Title
\$ -0-	\$ -0-	General Counsel
\$ -0-	\$ -0-	Bond Counsel
\$ 2,000	\$ 2,000	Auditor
\$ 8,330	\$ 8,068	Bookkeeper
\$ -0-	\$ -0-	Delinquent Tax Attorney
\$ 42,657	\$ 67,152	Engineer
\$ -0-	\$ -0-	Financial Advisor
\$ -0-	\$ -0-	Investment Officer
\$ 76,405	\$ 13,832	Operator
\$ -0-	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.



## SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

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



