

OFFICIAL STATEMENT DATED JUNE 28, 2018

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

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P (BAM Insured) "AA"

\$2,450,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 20

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

UNLIMITED TAX LEVEE IMPROVEMENT BONDS

SERIES 2018

Interest accrues from: July 1, 2018

Due: September 1, as shown on inside cover

Interest on the Fort Bend County Levee Improvement District No. 20 Unlimited Tax Levee Improvement Bonds, Series 2018 (the "Bonds") will accrue from July 1, 2018, and is payable on March 1, 2019 (nine months), and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption, to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date") and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined below) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is ZB, National Association, dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of the Fort Bend County Levee Improvement District No. 20 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas; or any entity other than the District.

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

The Bonds constitute the third series of unlimited tax levee improvement bonds issued by the District for the construction and acquisition of an earthen levee, inlet/outlet structures and storm water pumping facilities, pumps to serve the storm water pump station, and land costs associated with drainage and detention facilities (the "Levee and Drainage Facilities"), and refunding purposes. The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation to rate or amount, levied against all taxable property within the District (as defined in the Bond Resolution). See "THE BONDS – Source of Payment."

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 **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS DESCRIBED HEREIN. Bond purchasers are encouraged to read this entire Official Statement, including particularly the section titled "RISK FACTORS," prior to making an investment decision.

The Bonds are offered by the winning bidder on the Bonds (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe, LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about July 31, 2018, in Houston, Texas.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2019	\$50,000	5.500%	1.900%	34679S CA3	2025 (c)	\$75,000	5.500%	2.620%	34679S CG0
2020	60,000	5.500%	2.050%	34679S CB1	2026 (c)	75,000	5.500%	2.630%	34679S CH8
2021	65,000	5.500%	2.200%	34679S CC9	2027 (c)	80,000	3.000%	3.100%	34679S CJ4
2022	65,000	5.500%	2.400%	34679S CD7	2028 (c)	85,000	3.000%	3.150%	34679S CK1
2023	70,000	5.500%	2.600%	34679S CE5	2029 (c)	85,000	3.000%	3.200%	34679S CL9
2024 (c)	70,000	5.500%	2.610%	34679S CF2	2030 (c)	90,000	3.000%	3.300%	34679S CM7

\$195,000 Term Bonds Due September 1, 2032 (c) (d), Interest Rate: 3.250% (Price: \$97.236) (a), CUSIP No. 34679S CP0 (b)

\$210,000 Term Bonds Due September 1, 2034 (c) (d), Interest Rate: 3.500% (Price: \$98.784) (a), CUSIP No. 34679S CR6 (b)

\$225,000 Term Bonds Due September 1, 2036 (c) (d), Interest Rate: 3.500% (Price: \$97.377) (a), CUSIP No. 34679S CT2 (b)

\$245,000 Term Bonds Due September 1, 2038 (c) (d), Interest Rate: 3.500% (Price: \$96.629) (a), CUSIP No. 34679S CV7 (b)

\$265,000 Term Bonds Due September 1, 2040 (c) (d), Interest Rate: 3.625% (Price: \$97.397) (a), CUSIP No. 34679S CX3 (b)

\$440,000 Term Bonds Due September 1, 2043 (c) (d), Interest Rate: 3.750% (Price: \$98.398) (a), CUSIP No. 34679S DA2 (b)

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- (a) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from July 1, 2018, to the date of delivery of the Bonds is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2024, and thereafter, shall be subject to redemption and payment 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 the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or 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 – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission, as amended.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the inside cover page of this Official Statement at a price of 97.007380% of par value thereof plus accrued interest to date of delivery resulting in a net effective interest rate to the District of 3.859401%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER 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 (the "SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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 attached as "APPENDIX B" to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell, or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$518.3 million, \$97.4 million and \$420.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under this heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g., general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for

any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold, or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATING

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

- The IssuerFort Bend County Levee Improvement District No. 20 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

- Description of the Bonds.....Fort Bend County Levee Improvement District No. 20 Unlimited Tax Levee Improvement Bonds, Series 2018 are in aggregate principal amount of \$2,450,000 (the “Bonds”). The Bonds mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from July 1, 2018, at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2019 (nine months), and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General.”

- Redemption.....Bonds maturing on and after September 1, 2024, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2023, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption*.” The Bonds maturing on September 1 in each of the years 2032, 2034, 2036, 2038, 2040, and 2043 are term bonds that are also subject to the mandatory redemption provisions set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption*.”

- Source of PaymentPrincipal and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas; or any other political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”

- Payment Record.....The Bonds represent the third series of bonds to be issued by the District. The District has never defaulted on the timely payment of principal or interest on its outstanding indebtedness. See “THE BONDS – Payment Record.”

- Authority for Issuance.....The Bonds are the third series of bonds issued out of an aggregate of \$50,000,000 principal amount of unlimited tax levee improvement bonds authorized by the District’s voters for the purpose of providing Levee and Drainage Facilities (as defined herein) to serve the District, and refunding purposes. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated May 29, 2018, the resolution authorizing the issuance of the Bonds (the “Bond Resolution”), an election held within the District on November 6, 2007, Chapters 49, 54 and 57 of the Texas Water Code, as amended, and the general laws of the State of Texas. See “RISK FACTORS –

Future Debt” and “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

Use of Proceeds	Proceeds from the Bonds will be used to reimburse the Developer (as hereinafter defined) for funds advanced on behalf of the District for construction and acquisition of an earthen levee, inlet/outlet structures and storm water pumping facilities, pumps to serve the storm water pump station, and land costs associated with drainage and detention facilities (the “Levee and Drainage Facilities”). Bond proceeds will also be used to capitalize six months of interest on the Bonds, to pay developer interest, and to pay other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Qualified Tax-Exempt Obligations	The Bonds have been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	Build America Mutual Assurance Company. See “MUNICIPAL BOND INSURANCE” above.
Rating.....	S&P (BAM Insured): “AA.” See “RATING” above.
General & Bond Counsel.....	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe, LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
District Engineer.....	Sherrington-Humble, LLC, Houston, Texas.

THE DISTRICT

Description.....	The District is a conservation and reclamation district created by order of the Commissioners Court of Fort Bend County, Texas on August 28, 2007. The District is empowered, among other things, to purchase, construct, operate and maintain all improvements and utilities necessary for providing flood plain reclamation, flood protection, detention and outfall drainage. The District presently contains approximately 572 acres of land located in the northeast portion of Fort Bend County approximately 28 miles southwest from downtown Houston, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Richmond, Texas (the “City”), although a small portion of the levee serving the District, but not located within the boundaries of the District, lies within the extraterritorial jurisdiction of the City of Rosenberg. See “AERIAL PHOTOGRAPH OF THE DISTRICT” herein.
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, including particularly Chapters 49, 54 and 57 of the Texas Water Code, as amended, and pursuant to Article XVI, Section 59 of the Texas Constitution. See “THE DISTRICT – General.”
Developer.....	The principal developer of land within the District is 572-Three, Ltd., a Texas limited partnership (“572-Three” or the “Developer”) created for the sole purpose of developing the land in the District. The general partner of 572-Three is The Millis Group, Inc. a Texas corporation. Mark and Laura Millis own 100% of the stock in The Millis Group, Inc. and a majority of the partnership interest in 572-

Three. Mark and Laura Millis also own a majority interest in Royal Valley Utilities, Inc. ("Royal Valley"). See "THE DEVELOPERS."

Development within the District The District is being developed as Kingdom Heights, a predominantly single family residential community. Development of Kingdom Heights began in 2007. With the consent of the District, the Developer has financed the construction of drainage facilities to serve Kingdom Heights, Sections One, Two, Three and Four, including the lots for model homes and the extension of Wembley Way Blvd. (approximately 153 acres of land developed into 579 single-family residential lots, not including the acres of land developed as the extension of Wembley Way and the model home park). Construction of underground utilities and street paving is complete in these sections. As of June 1, 2018, the District contained 455 single-family homes completed and occupied, 2 single-family homes completed, not occupied, and unsold, 39 single-family homes in various stages of construction (of which 12 are under contract to homebuyers), and 83 developed lots are available for homebuilding. In addition, approximately 3 acres have been developed into a recreational center as the extension of Wembley Way and approximately 3 acres have been developed as 12 lots (3 of which are completed, unoccupied homes) as the model home park within the District.

Approximately 15 acres of commercial reserves (of which approximately 8 acres are currently served by underground trunkline utilities, with no improvement upon them) are located outside the boundaries of the levee and are shown to be within the 100 year flood plain. Such 15 acres will need to be filled prior to commercial development. In addition, the District presently contains approximately 116 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities, all of which acreage is owned by the Developer. According to the Master Plan, approximately 203 acres of land will be contained in parks, recreation, amenity lakes, and open spaces and 45 acres of land will be contained in plant sites, drill sites, pump station, drainage easements, rights-of-way, and levee easement. Park and recreation facilities currently consist of 12 pocket parks, amenity lakes, and walking trails. See "STATUS OF DEVELOPMENT."

Homebuilders Homebuilding in the District is currently being conducted by Saratoga Homes, Gateway Homes, and K. Hovnanian Homes. Newer homes in the District range in offering prices from approximately \$240,910 to over \$319,950.

Flood Protection Due to the impending change in the Fort Bend County FEMA floodplain maps, the Developer financed the construction of an earthen levee, storm water pump station and other improvements to remove all developable land in the District from the proposed 100 year floodplain. The levee, storm water pump station, and other appurtenances are complete and operational. The District prepared and submitted a Letter of Map Revision ("LOMR"), which was approved by FEMA and shows all of the developable land in the District being outside the proposed 100 year floodplain. An internal floodplain was established for low areas within the levee system. 57 acres of the remaining 116 acres of developable land

are within the floodplain inside the levee and will be filled by the Developer prior to development. See "THE SYSTEM – Flood Protection."

Water and Sewer Service.....The property in the District is served with water production and distribution and sewer treatment and collection capacities by Royal Valley who holds Certificate of Convenience and Necessity ("CCN") Numbers 12922 and 20870. The District is coterminous with Fort Bend County Municipal Utility District No. 176 ("MUD 176"). Neither the District nor MUD 176 owns or operates any water or sewer facilities nor does either receive any water or sewer revenue. MUD 176 has a contract with Royal Valley that entitles the property owners within MUD 176 to receive water and sewer service. Neither the District nor MUD 176 anticipates the issuance of debt to finance the water or sewer system to serve the area within the District and MUD 176. Future growth in the District and MUD 176 would be adversely impacted if Royal Valley was unable to fulfill its contracted obligations to MUD 176.

Drainage FacilitiesThe Developer is advancing funds on behalf of MUD 176 to finance the construction of drainage facilities to serve the Kingdom Heights development within MUD 176. MUD 176 has issued \$4,145,000 of unlimited tax bonds, payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within MUD 176's boundaries to reimburse the Developer. Currently, \$3,770,000 of such bonds are outstanding within MUD 176. MUD 176 plans to issue additional bonds to reimburse the Developer for the costs of MUD 176 facilities currently constructed as well as facilities to be constructed in the future. MUD 176 set a 2017 tax rate of \$0.55 per \$100 assessed valuation. See "TAX DATA – Estimated Overlapping Taxes."

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2017 Assessed Valuation	\$ 98,858,145 (a)
2018 Preliminary Valuation	\$ 108,795,150 (b)
Direct Debt:	
The Outstanding Bonds (as of June 1, 2018)	\$ 2,440,000
The Bonds	<u>\$ 2,450,000</u>
Total.....	\$ 4,890,000
Estimated Overlapping Debt	<u>\$ 10,211,078 (c)</u>
Total Direct and Estimated Overlapping Debt	\$ 15,101,078
Debt Service Fund Balance (as of June 14, 2018)	\$ 331,280 (d)
Capital Projects Fund Balance (as of June 14, 2018)	\$ 19,735
Operating Fund Balance (as of June 14, 2018).....	\$ 453,586
Direct Debt Ratios:	
As a percentage of 2017 Assessed Valuation (\$98,858,145)	4.95 %
As a percentage of 2018 Preliminary Valuation (\$108,795,150).....	4.49 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2017 Assessed Valuation (\$98,858,145)	15.28 %
As a percentage of 2018 Preliminary Valuation (\$108,795,150).....	13.88 %
2017 Tax Rate	
Debt Service	\$0.230 (e)
Maintenance & Operation	<u>\$0.320</u>
Total.....	\$0.550
Average Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2018–2043).....	\$292,874 (f)
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2019).....	\$358,690 (f)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2018–2043) at 95% Tax Collections	
Based Upon 2017 Assessed Valuation (\$98,858,145)	\$0.32
Based Upon 2018 Preliminary Valuation (\$108,795,150).....	\$0.29
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2019) at 95% Tax Collections	
Based Upon 2017 Assessed Valuation (\$98,858,145)	\$0.39
Based Upon 2018 Preliminary Valuation (\$108,795,150).....	\$0.35
Single-Family Homes as of June 1, 2018 (includes 39 homes under construction)	496

- (a) Represents the certified taxable assessed value, as of January 1, 2017, of taxable property within the District as provided by the Fort Bend Central Appraisal District ("FBCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by FBCAD as the preliminary value as of January 1, 2018. This value represents the preliminary determination of the taxable value in the District as of January 1, 2018. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
- (e) In its memorandum authorizing issuance of the Bonds, the TCEQ recommended that the District levy a debt service tax of at least \$0.36 per \$100 of assessed valuation in the first year following the issuance of the Bonds. This recommendation was based upon the Bonds being sold at a maximum effective interest rate of 5.20%. See "TAXING PROCEDURES."
- (f) See "DISTRICT DEBT – Debt Service Requirements."

\$2,450,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 20

(A Political Subdivision of the State of Texas Located in Fort Bend County, Texas)

UNLIMITED TAX LEVEE IMPROVEMENT BONDS SERIES 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Levee Improvement District No. 20 (the "District") of its \$2,450,000 Unlimited Tax Levee Improvement Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ") dated May 29, 2018, the resolution authorizing the issuance of the Bonds (the "Bond Resolution"), an election held within the District on November 6, 2007, Chapters 49, 54 and 57 of the Texas Water Code, as amended, and the general laws of the State of Texas.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

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

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas; or any political subdivision other than the District. The Bonds are secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of 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 within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT – Status of Development within the District."

Location and Access: The District is located approximately 28 miles southwest of downtown Houston. The District is located approximately 8 miles north of U.S. Highway 59 and Highway 36 and 10 miles west of the Grand Parkway. Many of the single-family developments with which the District competes have been significantly developed and levy lower tax rates. As a result, particularly during times of increased competition, the Developer (hereinafter defined) and homebuilders within the District may be at a

competitive disadvantage to the developers and homebuilders in other single-family projects located closer to major urban centers or more mature developments. See “THE DISTRICT” and “STATUS OF DEVELOPMENT.”

Principal Landowners’ Obligations to the District: The Developer is currently the largest principal taxpayer in the District. As reflected in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” the District’s ten principal taxpayers in 2017 owned property located in the District, the aggregate assessed valuation of which comprised approximately 6.70% of the District’s total assessed valuation. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a debt service tax rate of \$0.23 per \$100 of assessed valuation and a maintenance tax rate of \$0.32 per \$100 of assessed valuation for the 2017 tax year.

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

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

Developers Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes and commercial purposes. The Developer has no current plans to sell its land within the District to other developers. However, the Developer is not obligated to implement such plan on any particular schedule or continue to implement such plan at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer’s right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see “TAX DATA – Principal Taxpayers”) for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See “THE DEVELOPERS” and “STATUS OF DEVELOPMENT.”

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2017 Assessed Valuation of the District is \$98,858,145, and the 2018 Preliminary Valuation is \$108,795,150 (see “TAX DATA”). After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Outstanding Bonds (herein defined) and the Bonds will be \$358,690 (2019), and the Average Annual Debt Service Requirement of the Outstanding Bonds and the Bonds will be \$292,874 (2018 through 2043, inclusive). Assuming no increase or decrease from the 2017 Assessed Valuation and no use of funds on hand, tax rates of \$0.39 and \$0.32 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt

Service Requirement, respectively. Assuming no increase or decrease from the 2018 Preliminary Valuation and no use of funds on hand, tax rates of \$0.35 and \$0.29 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirement, respectively. See “DISTRICT DEBT – Debt Service Requirements” and “TAX DATA – Tax Rate Calculations.”

Hurricane Harvey

The Greater Houston area sustained widespread damage as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the Developer and the Engineer, Hurricane Harvey caused no damage to the District’s water distribution, wastewater collection and drainage facilities (the “System”), although the System was turned off temporarily during the mandatory evacuation of the District during the storm. Further, to the best knowledge of the Developer and the Engineer, although streets in the District experienced widespread flooding, there were no homes in the District that experienced structural flooding or other material damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

As a result of the damages caused by Hurricane Harvey, a number of Texas counties, including Fort Bend County, were declared disaster areas by the Governor of the State of Texas. When requested by a local taxing unit, such as the District, appraisal districts are required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. The District does not intend to request a reappraisal. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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 six (6) months for commercial property and two (2) years for residential and all other property after the purchaser’s deed issued at the foreclosure sale is filed in the county records. 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. Attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owner(s)") 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 Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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. Sovereign immunity may prevent a Registered Owner from seeking a judgment for monetary damages against the District. If a Registered Owner 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 further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Bankruptcy Limitation to Registered Owners' Rights."

Environmental Regulation

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the 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 HGB 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 ppb to 70 ppb ("the 2015 Ozone Standard"). On May 1, 2018, the EPA designated the HGB area as nonattainment for the 2015 Ozone Standard, and submitted this ruling for publication in the Federal Register. The HGB area nonattainment designation will become effective sixty days after publication in the Federal Register. A designation of nonattainment for ozone or any pollutant can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. This designation could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration.

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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and 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. On June 29, 2015, Texas, along with Louisiana and Mississippi, filed a lawsuit seeking a nationwide stay of the CWR in the United States District Court of the Southern District of Texas. On August 25, 2015, the United

States District Court for North Dakota granted a motion for a preliminary injunctions that prevents implementation of the CWR in thirteen states. On February 22, 2018, after the United States Supreme Court ruled that federal district courts have proper jurisdiction over the CWR, the Southern District of Texas heard arguments on preliminary relief staying the CWR. On June 11, 2018, the United States District Court for the Southern District of Georgia granted a motion for a preliminary injunction that prevents implementation of the CWR in eleven states.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR, reinstating language in place before 2015 changes, and proposing the development of a revised definition of “waters of the United States.” This proposed rule was published in the Federal Register on July 27, 2017, the comment period ended on September 28, 2017, and comments are currently under review by the agencies. On June 15, 2018, the EPA and the USACE sent a proposed “Step 2” rule that would redefine “waters of the United States” to the Office of Management and Budget for interagency review.

On January 31, 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR by two years from the date the rule is published in the Federal Register, until 2020. In response, a coalition of states filed a lawsuit in the U.S. District Court for the Southern District of New York alleging the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period.

If the CWR is not rescinded, 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 TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. 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. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

Dependence on Royal Valley Utilities, Inc.

Royal Valley Utilities Inc. (“Royal Valley”) holds Certificates of Convenience and Necessity (“CCN”) for the property in the District that gives it the exclusive right to serve the area within the District with water and sanitary sewer service. The District does not own or operate the water or sewer system. The District’s future growth is dependent upon Royal Valley’s ability to operate the water and sewer system and to expand the water and sewer system to meet additional demands from growth in the District. Additionally, the Developer has a majority ownership interest in Royal Valley. Future growth in the District would be adversely impacted if Royal Valley was unable to fulfill its contracted obligations to the District.

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$44,800,000 principal amount of authorized but unissued unlimited tax levee improvement bonds for the purpose of constructing levee and drainage facilities. The District may issue additional bonds, which may be voted hereafter. The District anticipates selling additional bonds in the future. The District may also issue refunding bonds. See “THE BONDS – Issuance of Additional Debt.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of Directors of the District and any bonds issued to acquire or construct drainage facilities must be approved by the TCEQ.

The Developer has financed or is financing the engineering and construction costs of levee and drainage facilities to serve the District. After reimbursement from sale of the Bonds, the Developer will have expended approximately \$514,088 (as of June 9, 2018) for design and construction of District levee and drainage facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developer for these costs to the extent allowed by the TCEQ. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

Marketability of the Bonds

The District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (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."

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

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.

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 applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond 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 Bond 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 Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 "MUNICIPAL BOND INSURANCE" and "RATING" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond 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 Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond 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 Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon request to Bond Counsel. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated July 1, 2018, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from July 1, 2018, at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2019 (nine months), and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is ZB, National Association, dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar").

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's 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 believes the source of such information to be reliable, but takes no 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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 form, 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 system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2023, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile. The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially

redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds maturing on September 1 in each of the years 2032, 2034, 2036, 2038, 2040, and 2043 (“Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in each of the years set forth below (“Mandatory Redemption Date”), and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption.

\$195,000 Term Bonds Maturing September 1, 2032		\$210,000 Term Bonds Maturing September 1, 2034	
<u>Mandatory Redemption</u>	<u>Principal Amount</u>	<u>Mandatory Redemption</u>	<u>Principal Amount</u>
September 1, 2031	\$95,000	September 1, 2033	\$105,000
September 1, 2032*	\$100,000	September 1, 2034*	\$105,000
\$225,000 Term Bonds Maturing September 1, 2036		\$245,000 Term Bonds Maturing September 1, 2038	
<u>Mandatory Redemption</u>	<u>Principal Amount</u>	<u>Mandatory Redemption</u>	<u>Principal Amount</u>
September 1, 2035	\$110,000	September 1, 2037	\$120,000
September 1, 2036*	\$115,000	September 1, 2038*	\$125,000
\$265,000 Term Bonds Maturing September 1, 2040		\$440,000 Term Bonds Maturing September 1, 2043	
<u>Mandatory Redemption</u>	<u>Principal Amount</u>	<u>Mandatory Redemption</u>	<u>Principal Amount</u>
September 1, 2039	\$130,000	September 1, 2041	\$140,000
September 1, 2040*	\$135,000	September 1, 2042	\$145,000
		September 1, 2043*	\$155,000

* Maturity of the Term Bonds.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds which, at least 30 days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds

issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax levied without legal limitation as to rate or amount against taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Bonds, and on any additional bonds payable from taxes which may hereafter be issued by the District.

Payment Record

The Bonds represent the third series of unlimited tax levee improvement bonds issued by the District. The District has never defaulted on the timely payment of principal or interest on its outstanding indebtedness.

Authority for Issuance

The Bonds constitute the third series of unlimited tax levee improvement bonds issued by the District for the purpose of providing Levee and Drainage Facilities to serve the District. The bonds authorized by the electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Amount Remaining</u>
November 6, 2007	Levee, Flood Protection, Drainage Facilities, and Refunding Purposes	\$50,000,000	\$5,200,000 (a)	\$44,800,000

(a) Includes the Bonds.

The Bonds are issued pursuant to an order of the TCEQ dated May 29, 2018, the Bond Resolution, an election held within the District on November 6, 2007, Chapters 49, 54 and 57 of the Texas Water Code, as amended, and the general laws of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must initially pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Outstanding Bonds

The District has previously issued \$1,500,000 Unlimited Tax Levee Improvement Bonds, Series 2011 (the "Series 2011 Bonds") and \$1,250,000 Unlimited Tax Levee Improvement Bonds, Series 2014 (the "Series 2014 Bonds"). As of July 1, 2018, \$2,440,000 in principal amount of the previously issued bonds remains outstanding (the "Outstanding Bonds").

Annexation by the City of Richmond

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Richmond (the "City"), the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City under certain circumstances. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds and Outstanding Bonds) and dissolve the District within ninety (90) days. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Commission of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Consolidation

A district (such as 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 system 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, but the District currently has no plans to do so.

Defeasance

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

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

immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$50,000,000 unlimited tax levee improvement bonds to construct or acquire Levee and Drainage Facilities (hereinafter defined), and refunding purposes, to serve the District and could authorize additional amounts. After the issuance of the Bonds, the District will have \$44,800,000 principal amount of unlimited tax levee improvement bonds remaining authorized but unissued for such purpose. According to the District's Engineer, said remaining principal amount of bonds will be sufficient to fully develop the District's Levee and Drainage Facilities required to serve all the land within the District. Additional tax bonds may be authorized by District's voters in the future.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any Registered Owners, amend the Bond Resolution in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Resolution, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Resolution relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Resolution cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution 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 Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution 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. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of sovereign immunity. Although 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 property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign

immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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 approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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 a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code and Chapter 1204, 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 security 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.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used to reimburse the Developer for funds advanced on behalf of the District for construction and acquisition of an earthen levee, inlet/outlet structures and storm water pumping facilities, pumps to serve the storm water pump station, and land costs associated with drainage and detention facilities (the "Levee and Drainage Facilities"). Bond proceeds will also be used to capitalize six months of interest on the Bonds, to pay developer interest, and to pay other costs related to the issuance of the Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. Earthen levee, inlet/outlet structures, and storm water pumping facilities	\$ 1,451,578
2. Storm water pumps (3) – Purchase, delivery, start up, and testing	41,800
3. Engineering	217,971
4. Land costs	<u>120,582</u>
Total Developer Contribution Items	\$ 1,831,931
 B. District Items	
None	<u>\$ 0</u>
Total District Items	\$ 0
 Total Construction Costs	 \$ 1,831,931
 <u>Non-Construction Costs</u>	
A. Legal Fees	\$ 73,500
B. Fiscal Agent Fees	49,000
C. Interest	
1. Capitalized Interest (6 months)	47,797
2. Developer Interest	267,958
D. Bond Discount	73,319
E. Bond Issuance Expenses	44,286
F. Bond Application Report Costs	40,000
G. Attorney General Fee	2,450
H. TCEQ Bond Issuance Fee	6,125
I. Contingency (a)	<u>13,634</u>
Total Non-Construction Costs	\$ 618,069
 TOTAL BOND ISSUE REQUIREMENT	 \$ 2,450,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

(a) Represents the sum of the differences between estimated and actual amounts for capitalized interest and discount on the Bonds.

THE DISTRICT

General

The District is a conservation and reclamation district created by order of the Commissioners Court of Fort Bend County, Texas, on August 28, 2007 and operates under the Section 59 of the Texas Constitution, Chapters 49, 54 and 57 of the Texas Water Code, and other general statutes applicable to levee improvement districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City.

The District is empowered, among other things, to purchase, construct, operate and maintain all improvements and utilities necessary for providing flood plain reclamation, flood protection, detention and outfall drainage. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to construct, operate and maintain major thoroughfares and other major roadways, establish parks and recreational facilities for the residents of the District and to contract for or employ its own peace officers.

The District contains approximately 572 acres of land. A portion of the levee is constructed on an offsite easement that encompasses 25 acres of land not currently in the District. The District is located approximately 28 miles southwest of downtown Houston. The District is located approximately 8 miles north of U.S. Highway 59 and Highway 36 and 10 miles west of the Grand Parkway.

Management of the District

The District is governed by a board of three directors which has control and management supervision over all affairs of the District. All of the directors own property in the District. Directors are elected in even-numbered years for staggered, four-year terms. The present members and officers of the Board and their positions are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires August</u>
Jared Biermann	President	2019
Jeffrey Singer	Vice President	2019
David Hunter	Secretary	2019

The District engages the following companies and individuals to operate its utilities and recreational facilities:

Tax Assessor/Collector: The District's Tax Assessor/Collector is Tax Tech Inc. Tax Tech Inc. serves more than 90 utility districts. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

Bookkeeper: The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services.

Utility System Operator: Fort Bend County Municipal Utility District No. 176 ("MUD 176") contracts with Royal Valley Utilities, Inc. ("Royal Valley") for water supply, wastewater treatment, and maintenance and operation of such system. Royal Valley has the exclusive right to serve all customers within MUD 176 and the District pursuant to its CCN issued by the TCEQ. Royal Valley serves customers within the District pursuant to a tariff approved by the TCEQ which may be amended from time to time.

Levee Operator: The District contracts with LID Solutions as the levee operator.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Sherrington-Humble, LLC (the "Engineer").

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The District's audited financial statements for the fiscal year ending March 31, 2017, have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's March 31, 2017 audited financial statements.

Financial Advisor: The District has engaged Robert W. Baird & Co. Incorporated, Houston, Texas (the "Financial Advisor"), as Financial Advisor to the District. The Financial Advisor's fee for services

rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Legal Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District's bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as the District's general counsel.

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(June 2018)**

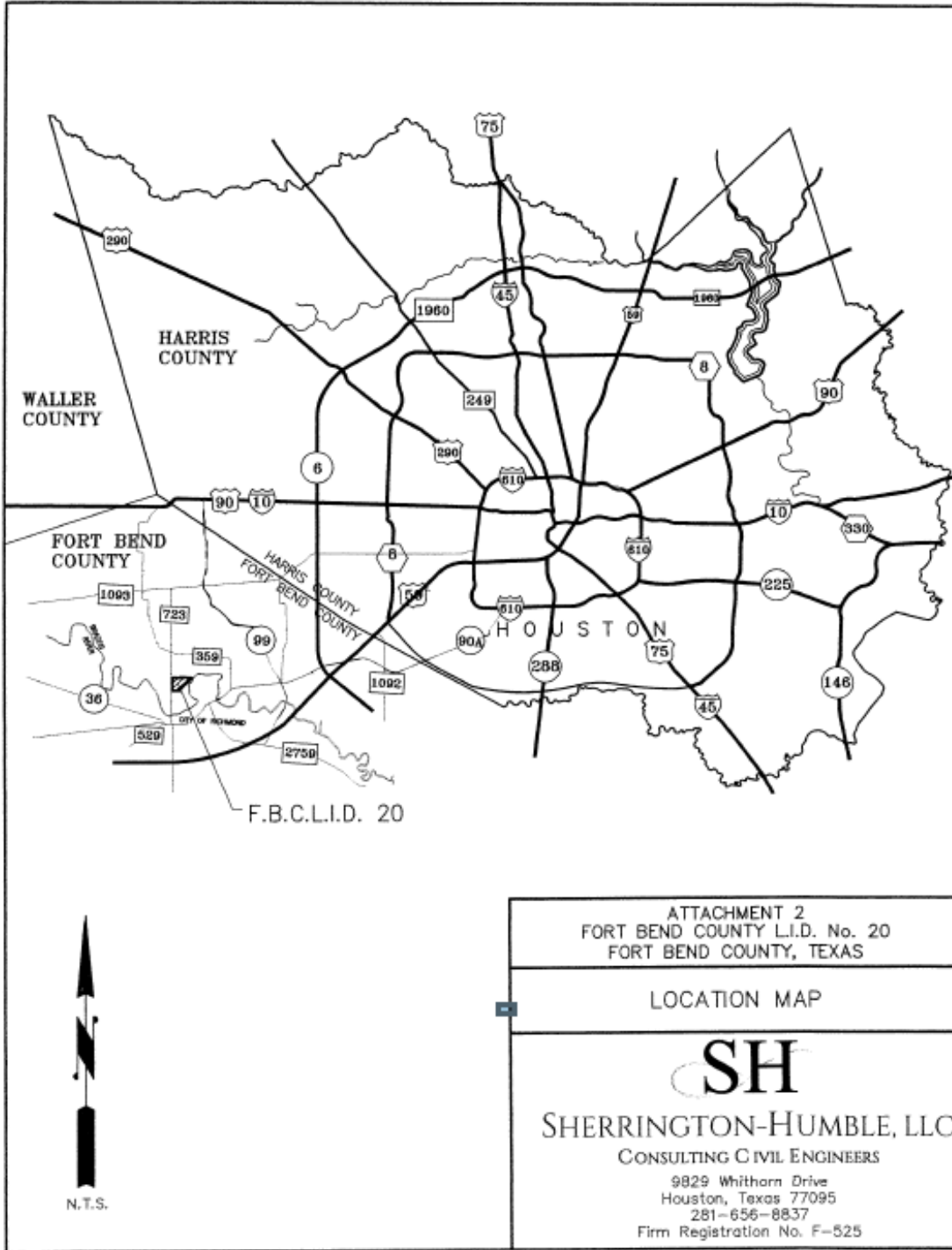


PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(June 2018)



LOCATION MAP OF THE DISTRICT



**AERIAL PHOTOGRAPH OF THE DISTRICT
(March 2017)**



THE DEVELOPERS

The Role of a Developer

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

Description of the Developers

The principal developer of land within the District is 572-Three, Ltd., a Texas limited partnership ("572-Three" or the "Developer") created for the sole purpose of developing the land in the District. The general partner of 572-Three is The Millis Group, Inc. a Texas corporation. Mark and Laura Millis own 100% of the stock in The Millis Group, Inc. and a majority of the partnership interest in 572-Three. Mark and Laura Millis also own a majority interest in Royal Valley, which is the utility company that furnishes water and sewer services to the District. The success or failure of Royal Valley and/or the Developer could affect the ability of Royal Valley to serve its customers within the District. See "STATUS OF DEVELOPMENT" and "TAX DATA - Principal Taxpayers."

Developer Financing

To provide development financing, the Developer entered into a loan agreement with Texas Capital Bank. Pursuant to such loan agreement, which is secured by a deed of trust, the amount of the note is for an aggregate of \$7,800,882.00 and has a maturity date of September 30, 2019. As of June 1, 2018, the outstanding balance on the note was \$5,855,298.10.

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STATUS OF DEVELOPMENT

Status of Development within the District

The District is being developed as Kingdom Heights, a predominantly single family residential community. Development of Kingdom Heights began in 2007. With the consent of the District, the Developer has financed the construction of drainage facilities to serve Kingdom Heights, Sections One, Two, Three and Four, including the lots for model homes and the extension of Wembley Way Blvd. (approximately 153 acres of land developed into 579 single-family residential lots, not including the acres of land developed as the extension of Wembley Way and the model home park). Construction of underground utilities and street paving is complete in these sections. As of June 1, 2018, the District contained 455 single-family homes completed and occupied, 2 single-family homes completed, not occupied, and unsold, 39 single-family homes in various stages of construction (of which 12 are under contract to homebuyers), and 83 developed lots are available for homebuilding. In addition, approximately 3 acres have been developed into a recreational center as the extension of Wembley Way and approximately 3 acres have been developed as 12 lots (3 of which are completed, unoccupied homes) as the model home park within the District.

The following is a table summarizing the approximate status of construction of single-family detached housing within the District, as of June 1, 2018.

	<u>Acreage</u>	<u>Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Kingdom Heights					
Section 1	75.20	338	336	0	2
Section 2	16.80	77	77	0	0
Section 3	21.50	71	44	14	13
Section 4	40.00	93	0	25	68
Subtotal	<u>153.50</u>	<u>579</u>	<u>457</u>	<u>39</u>	<u>83</u>
Commercial	14.70				
Model Home Park	2.80				
Extension of Wembley Way	3.10				
Undeveloped but Developable	116.00				
Undevelopable	<u>282.20</u>				
Total	572.30				

Approximately 15 acres of commercial reserves (of which approximately 8 acres are currently served by underground trunkline utilities, with no improvement upon them) are located outside the boundaries of the levee and are shown to be within the 100 year flood plain. Such 15 acres will need to be filled prior to commercial development. In addition, the District presently contains approximately 116 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities, all of which acreage is owned by the Developer. According to the Master Plan, approximately 203 acres of land will be contained in parks, recreation, amenity lakes, and open spaces, and 45 acres of land will be contained in plant sites, drill sites, pump station, drainage easements, rights-of-way, and levee easement. Park and recreation facilities currently consist of 12 pocket parks, amenity lakes, and walking trails. See “RISK FACTORS – Future Debt.”

Homebuilders within the District

Homebuilding in the District is currently being conducted by Saratoga Homes, Gateway Homes, and K. Hovnanian Homes. Newer homes in the District range in offering prices from approximately \$240,910 to over \$319,950.

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within a few miles of the District in the City, City of Rosenberg, and along US Highway 59. Fire protection for the District is provided by the City's Fire Department. Medical care for District residents is available from hospitals which are within 10 miles of the District. The land within the District is located within the boundaries of Lamar Consolidated Independent School District, and are elementary, junior high and high schools of Lamar Consolidated Independent School District located within two miles of the development in the District.

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DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2017 Assessed Valuation	\$ 98,858,145 (a)
(100% of taxable value as of January 1, 2017)	
See "TAX DATA" and "TAXING PROCEDURES."	
2018 Preliminary Valuation	\$108,795,150 (b)
(100% of market value as of January 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds (as of June 1, 2018)	\$ 2,440,000
The Bonds	<u>\$ 2,450,000</u>
Total.....	\$ 4,890,000
Estimated Overlapping Debt	<u>\$ 10,211,078 (c)</u>
Total Direct and Estimated Overlapping Debt	\$ 15,101,078
Direct Debt Ratios:	
As a percentage of 2017 Assessed Valuation (\$98,858,145)	4.95 %
As a percentage of 2018 Preliminary Valuation (\$108,795,150).....	4.49 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2017 Assessed Valuation (\$98,858,145)	15.28 %
As a percentage of 2018 Preliminary Valuation (\$108,795,150).....	13.88 %

-
- (a) Certified taxable assessed value within the District as provided by the FBCAD.
 - (b) Provided by FBCAD as the preliminary value as of January 1, 2018. This value represents the preliminary determination of the taxable value in the District as of January 1, 2018. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. See "TAXING PROCEDURES."
 - (c) See "Estimated Overlapping Debt Statement" below.

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of May 31, 2018	Percent	Overlapping Amount
Fort Bend County	\$593,940,527	0.16%	\$ 935,072
Lamar Consolidated Independent School District	\$773,010,000	0.71%	\$ 5,506,006
Fort Bend County MUD No. 176	\$ 3,770,000	100.00%	<u>\$ 3,770,000</u>
Total Estimated Overlapping Debt			\$ 10,211,078
Direct Debt			<u>\$ 4,890,000(a)</u>
Total Direct and Estimated Overlapping Debt			<u>\$ 15,101,078(a)</u>

(a) Includes the Bonds.

Debt Ratios

	2017 <u>Assessed Valuation</u>	2018 <u>Preliminary Valuation</u>
Direct Debt (a)	4.95%	4.49%
Total Direct and Estimated Overlapping Debt (a)	15.28%	13.88%

(a) Includes the Bonds.

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Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Outstanding Bonds and the Bonds.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2018	\$ 199,964	-	-	-	\$ 199,964
2019	197,164	\$ 50,000	\$ 111,526	\$ 161,526	358,690
2020	199,324	60,000	92,844	152,844	352,168
2021	196,011	65,000	89,544	154,544	350,555
2022	197,543	65,000	85,969	150,969	348,511
2023	193,693	70,000	82,394	152,394	346,086
2024	194,668	70,000	78,544	148,544	343,211
2025	195,336	75,000	74,694	149,694	345,030
2026	195,536	75,000	70,569	145,569	341,105
2027	190,486	80,000	66,444	146,444	336,930
2028	190,271	85,000	64,044	149,044	339,315
2029	189,731	85,000	61,494	146,494	336,225
2030	188,700	90,000	58,944	148,944	337,644
2031	187,400	95,000	56,244	151,244	338,644
2032	185,650	100,000	53,156	153,156	338,806
2033	183,625	105,000	49,906	154,906	338,531
2034	186,250	105,000	46,231	151,231	337,481
2035	183,325	110,000	42,556	152,556	335,881
2036	180,125	115,000	38,706	153,706	333,831
2037	81,600	120,000	34,681	154,681	236,281
2038	78,300	125,000	30,481	155,481	233,781
2039	-	130,000	26,106	156,106	156,106
2040	-	135,000	21,394	156,394	156,394
2041	-	140,000	16,500	156,500	156,500
2042	-	145,000	11,250	156,250	156,250
2043	-	155,000	5,813	160,813	160,813
Total	\$3,794,701	\$ 2,450,000	\$ 1,370,032	\$ 3,820,032	\$ 7,614,734

Average Annual Requirement (2018–2043).....	\$ 292,874
Maximum Annual Requirement (2019).....	\$ 358,690

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds that the District may hereafter issue from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes for operation and maintenance purposes. The Board levied a 2017 tax rate of \$0.32 per \$100 of assessed valuation for operation and maintenance purposes and a debt service tax rate of \$0.23 per \$100 of assessed valuation.

Tax Rate Limit

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

Debt Service Tax

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

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised, and collected for payment of the Bonds authorized by the Bond Resolution shall be deposited, as collected.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 6, 2007, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. The District levied a maintenance tax for 2017 at the rate of \$0.32 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

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

The Developer has executed a Waiver of Special Appraisal, waiving its right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property it owns within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

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 June 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 Tax Collections

The following table illustrates the collection history of the District for the 2013–2017 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate Per \$100 (a)	Adjusted Levy	Percentage of Collections Current Year	Tax Year Ended 9/30	Percentage of Collections as of 5/31/18
2013	\$52,761,080	\$0.5500	\$290,186	100.00%	2014	100.00%
2014	\$58,742,140	\$0.5500	\$323,082	100.00%	2015	100.00%
2015	\$69,946,971	\$0.5500	\$384,708	100.00%	2016	100.00%
2016	\$85,133,830	\$0.5500	\$468,236	100.00%	2017	100.00%
2017	\$98,858,145	\$0.5500	\$543,720	99.40%(b)	2018	99.44%(b)

(a) Includes a tax for maintenance and operation purposes. See "Tax Rate Distribution" below.

(b) The 2017 levy is still in the process of being collected. See "TAX DATA – "General," and "– Additional Penalties" above.

Tax Rate Distribution

	2017	2016	2015	2014	2013
Debt Service	\$0.230	\$0.230	\$0.270	\$0.310	\$0.370
Maintenance	<u>0.320</u>	<u>0.320</u>	<u>0.280</u>	<u>0.240</u>	<u>0.180</u>
	<u>\$0.550</u>	<u>\$0.550</u>	<u>\$0.550</u>	<u>\$0.550</u>	<u>\$0.550</u>

Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value for the 2013–2017 tax years by type of property.

Property Type	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation	2014 Assessed Valuation	2013 Assessed Valuation
Land	\$21,713,960	\$19,388,760	\$18,825,070	\$16,243,520	\$15,690,090
Improvements	78,325,150	66,959,520	52,089,550	43,301,300	37,626,110
Personal	425,840	427,710	460,350	648,800	543,040
Exemption	<u>(1,606,805)</u>	<u>(1,642,160)</u>	<u>(1,427,999)</u>	<u>(1,451,480)</u>	<u>(1,098,160)</u>
Total	\$98,858,145	\$85,133,830	\$69,946,971	\$58,742,140	\$52,761,080

Principal Taxpayers

The following represents the principal taxpayers, type of property, and assessed values as of January 1, 2017:

Taxpayer	Type of Property	Assessed Valuation 2017 Tax Roll
572-Three LTD (a)	Land & Improvements	\$2,645,850
Gateway Homes LTD	Land & Improvements	767,590
Homeowner	Land & Improvements	597,760
Saratoga Homes of Texas Houston LLC	Land & Improvements	512,200
Homeowner	Land & Improvements	425,730
Romeo Homes Texas LLC	Land & Improvements	397,770
AMH 2014-3 Borrower LLC	Land & Improvements	393,290
Homeowner	Land & Improvements	299,510
Centerpoint Energy Electric	Personal Property	294,040
Homeowner	Land & Improvements	<u>290,300</u>
Total.....		<u>\$6,624,040</u>
Percentage of District’s 2017 Assessed Valuation		<u>6.70%</u>

(a) See “THE DEVELOPERS.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2017 Assessed Valuation (\$98,858,145) or the 2018 Preliminary Valuation (\$108,795,150). The following further assumes collection of 95% of taxes levied, no application of funds on hand, and the sale of no additional bonds:

Average Annual Debt Service Requirement (2018–2043)	\$ 292,874
Tax Rate of \$0.32 on the 2017 Assessed Valuation produces.....	\$ 300,529
Tax Rate of \$0.29 on the 2018 Preliminary Valuation produces.....	\$ 299,731
Maximum Annual Debt Service Requirement (2019).....	\$ 358,690
Tax Rate of \$0.39 on the 2017 Assessed Valuation produces.....	\$ 366,269
Tax Rate of \$0.35 on the 2018 Preliminary Valuation produces.....	\$ 361,744

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 Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2017 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2017 Tax Rate Per \$100 of A.V.</u>
The District	\$0.550000
Lamar Consolidated Independent School District	\$1.390050
Fort Bend County	\$0.453000
Fort Bend County MUD No. 176	\$0.550000
Fort Bend County Drainage District	<u>\$0.016000</u>
Estimated Total Tax Rate	<u>\$2.959050</u>

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas 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"). The appraisal roll, as approved by the Appraisal Review Board for the Appraisal District, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve the 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 between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, 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 is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State 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 before July 1. The District has never adopted a general residential homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit 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 2013 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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Fort Bend County has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three 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.

Certain qualified taxpayers, including owners of residential homesteads, located within a disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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 of 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 Property Tax Code.

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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 state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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 or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "RISK FACTORS - General," "- Tax Collection Limitations," and "- Registered Owners' Remedies and Bankruptcy."

THE SYSTEM

Regulation

According to the Engineer, the District drainage facilities constructed by the District (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, and Fort Bend County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the System

- Water and Sanitary Sewer Facilities -

Source of Water Supply: The property in the District is served with water production and distribution and sewer treatment and collection capacities by Royal Valley, who holds CCN Numbers 12922 and 20870. The District is coterminous with MUD 176. Neither the District nor MUD 176 owns or operates any water or sewer facilities nor does neither receive any water or sewer revenue. MUD 176 has a contract with Royal Valley that entitles the property owners within MUD 176 to receive water and sewer service. MUD 176 entered into a Water and Wastewater Services Agreement with Royal Valley dated October 23, 2009. Royal Valley has agreed to plan, furnish, bill, collect, maintain, and operate all production, treatment, storage, transmission, and distribution facilities of sufficient size and capacity to provide continued and adequate supply of water for all reasonable consumer uses. The District, or MUD 176, has no obligation to construct, finance, or maintain any water facilities in the District.

According to the Royal Valley's Engineer, WaterEngineers, Inc., Royal Valley's water plant facilities which serve the District consists of 800 gallons per minute ("gpm") of well capacity, 125,000 gallons of ground storage tank capacity, booster pumps totaling 1,600 gpm capacity, 8,000 gallons of hydropneumatic storage tank capacity with a proposed 10,000 gallon pressure tank to be constructed at Water Plant No. 1 and appurtenant equipment. According to the CCN, the District has the right to use capacity from Royal Valley. The District does not have an emergency water interconnect, but can be provided with power during emergency situations by a 150 kW generator and transfer switch. Royal Valley has water supply capacity to serve approximately 625 equivalent single-family connections with the addition of the 10,000 gallon pressure tank. Royal Valley currently serves approximately 500 single-family homes constructed or under construction in the District.

Source of Wastewater Treatment: The TCEQ has granted Royal Valley, pursuant to a CCN, the exclusive right to provide wastewater treatment services to property within the District. Pursuant to its Water and

Wastewater Services Agreement with Royal Valley, Royal Valley is obligated to plan, furnish, maintain and operate all treatment and collection facilities of sufficient size and capacity to provide continuous and adequate service for all reasonable consumer uses and to treat sewage and discharge effluent of the quality required by its discharge permit issued by the TCEQ. The District has no obligation to construct, finance, or maintain any sewer facilities to serve property in the District.

According to the Royal Valley's Engineer, Royal Valley's wastewater treatment plant has a capacity of 135,000 gallons per day ("GPD"), which is capable of serving approximately 675 equivalent single-family connections based upon 200 GPD per equivalent single-family connection. Royal Valley plans to expand the plant as development occurs in Kingdom Heights. Additional wastewater treatment capacity will be required for full development of the District. Royal Valley currently serves approximately 500 single-family homes constructed or under construction in the District.

- Drainage Facilities -

The Developer is advancing funds on behalf of MUD 176 to finance the construction of drainage facilities to serve the Kingdom Heights development within MUD 176. According to the Engineer, the District's storm drainage facilities (the "Drainage Facilities") have been designed in accordance with accepted engineering practices and the then-current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the Drainage Facilities was required to be accomplished in accordance with the standards and specifications of such entities and is 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, Fort Bend County and, in some instances, the TCEQ.

Flood Protection

Due to the impending change in the Fort Bend County FEMA floodplain maps, the Developer financed the construction of an earthen levee, storm water pump station and other improvements to remove all developable land in the District from the proposed 100 year floodplain. The levee, storm water pump station, and other appurtenances are complete and operational. The District prepared and submitted a Letter of Map Revision ("LOMR"), which was approved by FEMA and shows all of the developable land in the District being outside the proposed 100 year floodplain. An internal floodplain was established for low areas within the levee system. 57 acres of the remaining 116 acres of developable land are within the floodplain inside the levee and will be filled by the Developer prior to development.

Flooding Due to Levee Breach or Overtopping: The District's levee and drainage system has been designed and constructed to all current standards. However, the levee system does not protect against all flooding scenarios. There are three instances in which flooding could occur in the District: (1) an overtopping of the levee, (2) a failure or breach of the levee system, or (3) localized rainfall in excess of the 100-year event. An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the levee of a 100-year event. According to the District's Hydrologist, Burton Johnson Engineering, overtopping of the District's levee system may occur from river events with a recurrence interval of less than 0.036% based on the effective FEMA models for the Brazos River in Fort Bend County. In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at flood state of less than the 100-year event. In order to mitigate the risk, the District performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need of repair.

Historical Operations of the System

The following is a summary of the District's Operating Fund for the last five years. The figures for the fiscal years ended March 31, 2014, through March 31, 2017, were obtained from the District's audited financial statements, reference to which is hereby made, and for the fiscal year ended March 31, 2017, such audited financial statements are attached hereto as "APPENDIX A." The District is required by statute to have a certified public accountant audit its financial statements annually, which audited financial statements are required to be filed with the TCEQ.

	Fiscal Year Ended			
	2017	2016	2015	2014
REVENUES				
Property Taxes	\$ 272,404	\$ 186,480	\$ 140,219	\$ 95,638
Interest Earnings	904	315	105	333
TOTAL REVENUES	\$ 273,308	\$ 186,795	\$ 140,324	\$ 95,971
EXPENDITURES				
Professional Fees	\$ 52,673	\$ 59,002	\$ 54,012	\$ 66,222
Contracted Services	32,400	19,200	7,750	7,349
Repairs and Maintenance	86,082	74,051	58,888	55,130
Utilities	1,394	7,010	1,668	3,750
Administrative	5,019	7,887	8,455	8,314
Other	2,550	-	-	-
TOTAL EXPENDITURES	\$ 180,118	\$ 167,150	\$ 130,773	\$ 140,765
Excess Revenues (Expenditures)	93,190	19,645	9,551	\$ (44,794)
OTHER ITEM				
Insurance Proceeds	\$ -	\$ -	\$ 12,050	\$ -
Net Change in Fund Balance	\$ 93,190	\$ 19,645	\$ 21,601	\$ (44,794)
Balance, Beginning of Year	\$ 245,578	\$ 225,933	\$ 204,332	\$ 249,126
Balance, End of Year	\$ 338,768	\$ 245,578	\$ 225,933	\$ 204,332

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE DISTRICT - General," "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon

Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching 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 Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing discussion assumes, in reliance upon certain representations of the Initial Purchaser, that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Initial Purchaser will be based upon records or facts the Initial Purchaser had no reason to believe were not correct.

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2018 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2018.

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, 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 material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB through EMMA.

The financial information and operating data which will be provided with respect to the District is attached here to as "APPENDIX A." The District will update and provide this information to EMMA approved by the staff of the SEC within six months after the end of each of its fiscal years ending in or after 2018. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other

such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The Districts current fiscal year end is March 31. Accordingly, it must provide updated information by September 30, in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify EMMA.

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the 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 Rule, 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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds

consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the 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 past five years, the District has been in material compliance with its prior continuing disclosure agreement in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, 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.

Experts

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT - General," "LEGAL MATTERS - Legal Opinions," "TAX DATA - Tax Exemption," "TAX MATTERS - Tax Accounting Treatment of Original Issue Discount Bonds," "TAX MATTERS - Qualified Tax-Exempt Obligations," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement or 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer 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 this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the section captioned "TAX DATA" has been provided by the Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so

amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity, in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description 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.

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Fort Bend County Levee Improvement District No. 20, as of the date shown on the first page hereof.

/s/ Jared Biermann
President, Board of Directors
Fort Bend County Levee Improvement District No. 20

ATTEST:

/s/ David Hunter
Secretary, Board of Directors
Fort Bend County Levee Improvement District No. 20

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 20**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2017

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Independent Auditors' Report

Board of Directors
Fort Bend County Levee Improvement District No. 20
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 20, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Levee Improvement District No. 20
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 20, as of March 31, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGuire & Co, P.C.

Houston, Texas
September 14, 2017

Management's Discussion and Analysis

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***Fort Bend County Levee Improvement District No. 20
Management's Discussion and Analysis
March 31, 2017***

Using this Annual Report

Within this section of the financial report of Fort Bend County Levee Improvement District No. 20 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

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

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

Fort Bend County Levee Improvement District No. 20
Management's Discussion and Analysis
March 31, 2017

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at March 31, 2017, was negative \$481,373. A comparative summary of the District's overall financial position, as of March 31, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	\$ 709,160	\$ 628,281
Capital assets	3,261,911	3,323,184
Total assets	<u>3,971,071</u>	<u>3,951,465</u>
Current liabilities	106,889	105,439
Long-term liabilities	4,345,555	4,427,901
Total liabilities	<u>4,452,444</u>	<u>4,533,340</u>
Net position		
Net investment in capital assets	(1,147,966)	(1,168,569)
Restricted	323,352	336,761
Unrestricted	343,241	249,933
Total net position	<u>\$ (481,373)</u>	<u>\$ (581,875)</u>

Fort Bend County Levee Improvement District No. 20
Management's Discussion and Analysis
March 31, 2017

The total net position of the District increased during the current fiscal year by \$100,502. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2017	2016
Revenues		
Property taxes, penalties and interest	\$ 469,998	\$ 384,909
Other	2,096	737
Total revenues	<u>472,094</u>	<u>385,646</u>
Expenses		
Operating and administrative	192,613	178,641
Interest and fees	117,706	120,124
Depreciation	61,273	61,273
Total expenses	<u>371,592</u>	<u>360,038</u>
Change in net position	100,502	25,608
Net position, beginning of year	(581,875)	(607,483)
Net position, end of year	<u>\$ (481,373)</u>	<u>\$ (581,875)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2017, were \$689,353, which consists of \$338,768 in the General Fund, \$329,907 in the Debt Service Fund and \$20,678 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 355,151</u>	<u>\$ 260,592</u>
Total liabilities	\$ 11,910	\$ 10,659
Total deferred inflows	4,473	4,355
Total fund balance	<u>338,768</u>	<u>245,578</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 355,151</u>	<u>\$ 260,592</u>

***Fort Bend County Levee Improvement District No. 20
Management's Discussion and Analysis
March 31, 2017***

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 273,308	\$ 186,795
Total expenditures	<u>(180,118)</u>	<u>(167,150)</u>
Revenues over expenditures	<u>\$ 93,190</u>	<u>\$ 19,645</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy. Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and assessed values increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 333,132</u>	<u>\$ 346,541</u>
Total deferred inflows	\$ 3,225	\$ 4,517
Total fund balance	<u>329,907</u>	<u>342,024</u>
Total deferred inflows and fund balance	<u>\$ 333,132</u>	<u>\$ 346,541</u>

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 199,882	\$ 197,733
Total expenditures	<u>(211,999)</u>	<u>(208,745)</u>
Revenues under expenditures	<u>\$ (12,117)</u>	<u>\$ (11,012)</u>

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

**Fort Bend County Levee Improvement District No. 20
Management's Discussion and Analysis
March 31, 2017**

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 20,877</u>	<u>\$ 21,148</u>
Total liabilities	\$ 199	\$ -
Total fund balance	<u>20,678</u>	<u>21,148</u>
Total liabilities and fund balance	<u>\$ 20,877</u>	<u>\$ 21,148</u>

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

	2017	2016
Total revenues	\$ 77	\$ 30
Total expenditures	<u>(547)</u>	<u>(216)</u>
Revenues under expenditures	<u>\$ (470)</u>	<u>\$ (186)</u>

The District has not had any significant capital asset activity in the last two years.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$37,951 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Levee Improvement District No. 20
Management's Discussion and Analysis
March 31, 2017

Capital assets held by the District at March 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capital assets not being depreciated		
Land and improvements	\$ 1,386,491	\$ 1,386,491
Capital assets being depreciated		
Infrastructure	2,293,811	2,293,811
Less accumulated depreciation	<u>(418,391)</u>	<u>(357,118)</u>
Depreciable capital assets, net	<u>1,875,420</u>	<u>1,936,693</u>
Capital assets, net	<u>\$ 3,261,911</u>	<u>\$ 3,323,184</u>

Long-Term Debt and Related Liabilities

As of March 31, 2017, the District owes the developer \$1,961,631 for completed projects. The District intends to reimburse the developer from proceeds of future bond issues.

At March 31, 2017 and 2016, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2017</u>	<u>2016</u>
2011	\$ 1,375,000	\$ 1,410,000
2014	<u>1,150,000</u>	<u>1,200,000</u>
	<u>\$ 2,525,000</u>	<u>\$ 2,610,000</u>

At March 31, 2017, the District had \$47,250,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving flood control and drainage facilities within the District.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2017 Actual</u>	<u>2018 Budget</u>
Total revenues	\$ 273,308	\$ 267,752
Total expenditures	<u>(180,118)</u>	<u>(177,070)</u>
Revenues over expenditures	93,190	90,682
Beginning fund balance	245,578	338,768
Ending fund balance	<u>\$ 338,768</u>	<u>\$ 429,450</u>

Basic Financial Statements

Fort Bend County Levee Improvement District No. 20
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 27,495	\$ 30,544	\$ 4,714	\$ 62,753	\$ -	\$ 62,753
Investments	318,988	299,363	16,163	634,514		634,514
Taxes receivable	4,473	3,225		7,698		7,698
Prepaid items	4,195			4,195		4,195
Capital assets not being depreciated					1,386,491	1,386,491
Capital assets, net					1,875,420	1,875,420
Total Assets	\$ 355,151	\$ 333,132	\$ 20,877	\$ 709,160	3,261,911	3,971,071
Liabilities						
Accounts payable	\$ 11,910	\$ -	\$ 199	\$ 12,109		12,109
Accrued interest payable					9,780	9,780
Due to developer					1,961,631	1,961,631
Long-term debt						
Due within one year					85,000	85,000
Due after one year					2,383,924	2,383,924
Total Liabilities	11,910		199	12,109	4,440,335	4,452,444
Deferred Inflows of Resources						
Deferred property taxes	4,473	3,225		7,698	(7,698)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	4,195			4,195	(4,195)	
Restricted		329,907	20,678	350,585	(350,585)	
Unassigned	334,573			334,573	(334,573)	
Total Fund Balances	338,768	329,907	20,678	689,353	(689,353)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 355,151	\$ 333,132	\$ 20,877	\$ 709,160		
Net Position						
Net investment in capital assets					(1,147,966)	(1,147,966)
Restricted for debt service					323,352	323,352
Unrestricted					343,241	343,241
Total Net Position					\$ (481,373)	\$ (481,373)

See notes to basic financial statements.

Fort Bend County Levee Improvement District No. 20
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 272,404	\$ 197,174	\$ -	\$ 469,578	\$ (1,173)	\$ 468,405
Penalties and interest		1,593		1,593		1,593
Investment earnings	904	1,115	77	2,096		2,096
Total Revenues	273,308	199,882	77	473,267	(1,173)	472,094
Expenditures/Expenses						
Operating and administrative						
Professional fees	52,673		383	53,056		53,056
Contracted services	32,400	10,519		42,919		42,919
Repairs and maintenance	86,082			86,082		86,082
Utilities	1,394			1,394		1,394
Administrative	5,019	1,429	164	6,612		6,612
Other	2,550			2,550		2,550
Debt service						
Principal		85,000		85,000	(85,000)	
Interest and fees		115,051		115,051	2,655	117,706
Depreciation					61,273	61,273
Total Expenditures/Expenses	180,118	211,999	547	392,664	(21,072)	371,592
Revenues Over/(Under)						
Expenditures	93,190	(12,117)	(470)	80,603	(80,603)	
Change in Net Position						
					100,502	100,502
Fund Balance/Net Position						
Beginning of the year	245,578	342,024	21,148	608,750	(1,190,625)	(581,875)
End of the year	\$ 338,768	\$ 329,907	\$ 20,678	\$ 689,353	\$ (1,170,726)	\$ (481,373)

See notes to basic financial statements.

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Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Levee Improvement District No. 20 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

District was organized, created and established pursuant to an order of the Commissioner’s Court of Fort Bend County, Texas dated August 28, 2007, and operates in accordance with the Texas Constitution, Article XVI, Section 59, and the Texas Water Code, Chapters 49 and 57. The Board of Directors held its first meeting on September 5, 2007 and the first bonds were sold on July 7, 2011.

The District’s primary activities include construction, maintenance and operation of a levee system for flood control and drainage purposes. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an appointed three-member board. The Governmental Accounting Standards Board 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 statements as component units.

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's flood control and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

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

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

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2017, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of a levee system and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Drainage	20-40 years

The District's levee system is considered an improvement to land and is non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	689,353
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	3,680,302
Less accumulated depreciation		<u>(418,391)</u>
Change due to capital assets		3,261,911
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:		
Bonds payable, net		(2,468,924)
Interest payable on bonds		<u>(9,780)</u>
Change due to long-term debt		(2,478,704)
Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(1,961,631)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		7,698
Total net position - governmental activities	<u>\$</u>	<u>(481,373)</u>

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$	80,603
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.		(1,173)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Principal payments	\$	85,000
Interest expense accrual		(2,655)
		82,345
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(61,273)
Change in net position of governmental activities	\$	100,502

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of March 31, 2017, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexPool	General	\$ 318,988	AAAm	108 days
	Debt Service	299,363		
	Capital Projects	16,163		
Total		<u>\$ 634,514</u>		

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 3 – Deposits and Investments (continued)

TexPool (continued)

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2017, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,386,491	\$ -	\$ 1,386,491
Capital assets being depreciated			
Infrastructure	2,293,811		2,293,811
Less accumulated depreciation	(357,118)	(61,273)	(418,391)
Subtotal depreciable capital assets, net	<u>1,936,693</u>	<u>(61,273)</u>	<u>1,875,420</u>
Capital assets, net	<u>\$ 3,323,184</u>	<u>\$ (61,273)</u>	<u>\$ 3,261,911</u>

Depreciation expense for the current year was \$61,273.

Note 5 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of a levee system and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete.

The amount due to developer at March 31, 2017 is estimated to be \$1,961,631. There was no change in this liability from the prior year.

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 2,525,000
Unamortized discounts	<u>(56,076)</u>
	<u>\$ 2,468,924</u>
Due within one year	<u>\$ 85,000</u>

The District's bonds payable at March 31, 2017, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2011	\$ 1,375,000	\$ 1,500,000	3.75% - 5.50%	September 1, 2013/2036	September 1, March 1	September 1, 2018
2014	1,150,000	1,250,000	2.40% - 4.40%	September 1, 2015/2038	September 1, March 1	September 1, 2022
	<u>\$ 2,525,000</u>					

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

At March 31, 2017, the District had authorized but unissued bonds in the amount of \$47,250,000 for acquiring, constructing and improving flood control and drainage facilities within the District.

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

Bonds payable, beginning of year	\$ 2,610,000
Bonds retired	<u>(85,000)</u>
Bonds payable, end of year	<u>\$ 2,525,000</u>

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 6 – Long-Term Debt (continued)

As of March 31, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 85,000	\$ 111,242	\$ 196,242
2019	90,000	108,564	198,564
2020	90,000	105,744	195,744
2021	95,000	102,668	197,668
2022	95,000	99,277	194,277
2023	100,000	95,618	195,618
2024	100,000	91,680	191,680
2025	105,000	87,502	192,502
2026	110,000	82,936	192,936
2027	115,000	78,011	193,011
2028	115,000	72,879	187,879
2029	120,000	67,501	187,501
2030	125,000	61,716	186,716
2031	130,000	55,550	185,550
2032	135,000	49,025	184,025
2033	140,000	42,138	182,138
2034	145,000	34,937	179,937
2035	155,000	27,287	182,287
2036	160,000	19,225	179,225
2037	165,000	10,863	175,863
2038	75,000	4,950	79,950
2039	75,000	1,650	76,650
	<u>\$ 2,525,000</u>	<u>\$ 1,410,962</u>	<u>\$ 3,935,962</u>

Note 7 – Property Taxes

On November 6, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Levee Improvement District No. 20
Notes to Basic Financial Statements
March 31, 2017

Note 7 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.55 per \$100 of assessed value, of which \$0.32 was allocated to maintenance and operations and \$0.23 was allocated to debt service. The resulting tax levy was \$468,370 on the adjusted taxable value of \$85,158,250.

Property taxes receivable, at March 31, 2017, consisted of the following:

Current year taxes receivable	\$	7,638
Prior years taxes receivable		60
Total property taxes receivable	\$	<u>7,698</u>

Note 8 – Risk Management

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

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Required Supplementary Information

*Fort Bend County Levee Improvement District No. 20
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended March 31, 2017*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 185,209	\$ 272,404	\$ 87,195
Investment earnings	120	904	784
Total Revenues	<u>185,329</u>	<u>273,308</u>	<u>87,979</u>
Expenditures			
Operating and administrative			
Professional fees	50,000	52,673	(2,673)
Contracted services	34,150	32,400	1,750
Repairs and maintenance	33,040	86,082	(53,042)
Utilities	5,000	1,394	3,606
Administrative	7,900	5,019	2,881
Other		2,550	(2,550)
Total Expenditures	<u>130,090</u>	<u>180,118</u>	<u>(50,028)</u>
Revenues Over Expenditures	55,239	93,190	37,951
Fund Balance			
Beginning of the year	245,578	245,578	
End of the year	<u>\$ 300,817</u>	<u>\$ 338,768</u>	<u>\$ 37,951</u>

Fort Bend County Levee Improvement District No. 20
Notes to Required Supplementary Information
March 31, 2017

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Levee Improvement District No. 20
TSI-1. Services and Rates
March 31, 2017

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

- | | | | |
|---|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 20
TSI-1. Services and Rates
March 31, 2017

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Fort Bend County

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Richmond

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

If Yes, by whom? Fort Bend Commissioners Court

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 20
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2017*

Professional fees		
Legal	\$	29,012
Audit		7,500
Engineering		16,161
		<u>52,673</u>
Contracted services		
Bookkeeping		2,400
Operator		30,000
		<u>32,400</u>
Repairs and maintenance		<u>86,082</u>
Utilities		<u>1,394</u>
Administrative		
Directors' fees		1,200
Printing and office supplies		746
Insurance		2,590
Other		483
		<u>5,019</u>
Other		<u>2,550</u>
Total expenditures	\$	<u>180,118</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	26,592 kWh	\$ 3,605
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 20
TSI-3. Investments
March 31, 2017

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General				
TexPool	792827928200001	Variable	N/A	\$ 318,988
Debt Service				
TexPool	792827928200002	Variable	N/A	299,363
Capital Projects				
TexPool	792827928200003	Variable	N/A	<u>16,163</u>
Total - All Funds				<u><u>\$ 634,514</u></u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 20
TSI-4. Taxes Levied and Receivable
March 31, 2017

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,355	\$ 4,517	\$ 8,872	
Adjustments	17	18	35	
Adjusted Receivable	<u>4,372</u>	<u>4,535</u>	<u>8,907</u>	
2016 Original Tax Levy	265,558	190,870	456,428	
Adjustments	6,948	4,994	11,942	
Adjusted Tax Levy	<u>272,506</u>	<u>195,864</u>	<u>468,370</u>	
Total to be accounted for	<u>276,878</u>	<u>200,399</u>	<u>477,277</u>	
Tax collections:				
Current year	268,062	192,670	460,732	
Prior years	4,343	4,504	8,847	
Total Collections	<u>272,405</u>	<u>197,174</u>	<u>469,579</u>	
Taxes Receivable, End of Year	<u>\$ 4,473</u>	<u>\$ 3,225</u>	<u>\$ 7,698</u>	
Taxes Receivable, By Years				
2016	\$ 4,444	\$ 3,194	\$ 7,638	
2015	29	31	60	
Taxes Receivable, End of Year	<u>\$ 4,473</u>	<u>\$ 3,225</u>	<u>\$ 7,698</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Property Valuations:				
Land	\$ 19,388,760	\$ 18,825,070	\$ 16,243,520	\$ 15,690,090
Improvements	67,470,090	54,001,850	43,327,100	37,665,770
Personal Property	427,710	460,350	648,800	543,040
Exemptions	(2,128,310)	(3,297,199)	(1,454,530)	(1,090,410)
Total Property Valuations	<u>\$ 85,158,250</u>	<u>\$ 69,990,071</u>	<u>\$ 58,764,890</u>	<u>\$ 52,808,490</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.32	\$ 0.27	\$ 0.24	\$ 0.18
Debt service tax rates	0.23	0.28	0.31	0.37
	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>	<u>\$ 0.55</u>
Adjusted Tax Levy:	<u>\$ 468,370</u>	<u>\$ 384,945</u>	<u>\$ 323,207</u>	<u>\$ 290,447</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.37%</u>	<u>99.98%</u>	<u>100.00%</u>	<u>100.00%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 6, 2007

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

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 20
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
March 31, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 35,000	\$ 69,692	\$ 104,692
2019	40,000	68,214	108,214
2020	40,000	66,594	106,594
2021	45,000	64,818	109,818
2022	45,000	62,877	107,877
2023	50,000	60,743	110,743
2024	50,000	58,405	108,405
2025	55,000	55,877	110,877
2026	60,000	53,036	113,036
2027	65,000	49,911	114,911
2028	65,000	46,629	111,629
2029	70,000	43,151	113,151
2030	75,000	39,316	114,316
2031	80,000	35,150	115,150
2032	85,000	30,662	115,662
2033	90,000	25,850	115,850
2034	95,000	20,762	115,762
2035	105,000	15,262	120,262
2036	110,000	9,350	119,350
2037	115,000	3,163	118,163
	<u>\$ 1,375,000</u>	<u>\$ 879,462</u>	<u>\$ 2,254,462</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 20
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
March 31, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2018	\$ 50,000	\$ 41,550	\$ 91,550
2019	50,000	40,350	90,350
2020	50,000	39,150	89,150
2021	50,000	37,850	87,850
2022	50,000	36,400	86,400
2023	50,000	34,875	84,875
2024	50,000	33,275	83,275
2025	50,000	31,625	81,625
2026	50,000	29,900	79,900
2027	50,000	28,100	78,100
2028	50,000	26,250	76,250
2029	50,000	24,350	74,350
2030	50,000	22,400	72,400
2031	50,000	20,400	70,400
2032	50,000	18,363	68,363
2033	50,000	16,288	66,288
2034	50,000	14,175	64,175
2035	50,000	12,025	62,025
2036	50,000	9,875	59,875
2037	50,000	7,700	57,700
2038	75,000	4,950	79,950
2039	75,000	1,650	76,650
	<u>\$ 1,150,000</u>	<u>\$ 531,500</u>	<u>\$ 1,681,500</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 20
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2017

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2018	\$ 85,000	\$ 111,242	\$ 196,242
2019	90,000	108,564	198,564
2020	90,000	105,744	195,744
2021	95,000	102,668	197,668
2022	95,000	99,277	194,277
2023	100,000	95,618	195,618
2024	100,000	91,680	191,680
2025	105,000	87,502	192,502
2026	110,000	82,936	192,936
2027	115,000	78,011	193,011
2028	115,000	72,879	187,879
2029	120,000	67,501	187,501
2030	125,000	61,716	186,716
2031	130,000	55,550	185,550
2032	135,000	49,025	184,025
2033	140,000	42,138	182,138
2034	145,000	34,937	179,937
2035	155,000	27,287	182,287
2036	160,000	19,225	179,225
2037	165,000	10,863	175,863
2038	75,000	4,950	79,950
2039	75,000	1,650	76,650
	<u>\$ 2,525,000</u>	<u>\$ 1,410,962</u>	<u>\$ 3,935,962</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 20
TSI-6. Change in Long-Term Bonded Debt
March 31, 2017

	Bond Issue		Totals
	Series 2011	Series 2014	
Interest rate	3.75% - 5.50%	2.40% - 4.40%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/13 - 9/1/36	9/1/15 - 9/1/38	
Beginning bonds outstanding	\$ 1,410,000	\$ 1,200,000	\$ 2,610,000
Bonds retired	(35,000)	(50,000)	(85,000)
Ending bonds outstanding	<u>\$ 1,375,000</u>	<u>\$ 1,150,000</u>	<u>\$ 2,525,000</u>
Interest paid during fiscal year	<u>\$ 71,026</u>	<u>\$ 42,750</u>	<u>\$ 113,776</u>
Paying agent's name and city	Wells Fargo Bank, N.A., Fort Worth, Texas		
Series 2011	Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Series 2014	Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Bond Authority:	Levee Bonds		
Amount Authorized by Voters	\$ 50,000,000		
Amount Issued	(2,750,000)		
Remaining To Be Issued	<u>\$ 47,250,000</u>		

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

Debt Service Fund cash and investments balances as of March 31, 2017: \$ 329,907

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 178,907

See accompanying auditors' report.

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Fort Bend County Levee Improvement District No. 20
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 272,404	\$ 186,480	\$ 140,219	\$ 95,638	\$ 148,015
Investment earnings	904	315	105	333	192
Total Revenues	<u>273,308</u>	<u>186,795</u>	<u>140,324</u>	<u>95,971</u>	<u>148,207</u>
Expenditures					
Operating and administrative					
Professional fees	52,673	59,002	54,012	66,222	22,127
Contracted services	32,400	19,200	7,750	7,349	10,424
Repairs and maintenance	86,082	74,051	58,888	55,130	17,036
Utilities	1,394	7,010	1,668	3,750	2,915
Administrative	5,019	7,887	8,455	8,314	9,288
Other	2,550				
Total Expenditures	<u>180,118</u>	<u>167,150</u>	<u>130,773</u>	<u>140,765</u>	<u>61,790</u>
Revenues Over (Under) Expenditures	<u>\$ 93,190</u>	<u>\$ 19,645</u>	<u>\$ 9,551</u>	<u>\$ (44,794)</u>	<u>\$ 86,417</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
100%	100%	100%	100%	100%
*	*	*	*	*
100%	100%	100%	100%	100%
19%	32%	38%	69%	15%
12%	10%	6%	8%	7%
31%	40%	42%	57%	11%
1%	4%	1%	4%	2%
2%	4%	6%	9%	6%
1%				
66%	90%	93%	147%	41%
34%	10%	7%	(47%)	59%

Fort Bend County Levee Improvement District No. 20
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 197,174	\$ 196,034	\$ 182,276	\$ 193,018	\$ 67,789
Penalties and interest	1,593	1,307	878	1,040	275
Accrued interest on bonds sold			3,341		
Investment earnings	1,115	392	113	88	232
Total Revenues	<u>199,882</u>	<u>197,733</u>	<u>186,608</u>	<u>194,146</u>	<u>68,296</u>
Expenditures					
Tax collection services	11,948	11,275	10,518	10,182	9,742
Debt service					
Principal	85,000	80,000	30,000	30,000	
Interest and fees	115,051	117,470	101,050	75,133	75,733
Total Expenditures	<u>211,999</u>	<u>208,745</u>	<u>141,568</u>	<u>115,315</u>	<u>85,475</u>
Revenues Over (Under) Expenditures	<u>\$ (12,117)</u>	<u>\$ (11,012)</u>	<u>\$ 45,040</u>	<u>\$ 78,831</u>	<u>\$ (17,179)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
98%	99%	98%	99%	100%
1%	1%	*	1%	*
		2%		
1%	*	*	*	*
100%	100%	100%	100%	100%
6%	6%	6%	5%	14%
43%	40%	16%	15%	
58%	59%	54%	39%	111%
107%	105%	76%	59%	125%
(7%)	(5%)	24%	41%	(25%)

**Fort Bend County Levee Improvement District No. 20
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2017**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): November 3, 2015
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
S. Scott West	8/2007 **	\$ -	\$ -	President
Jeffrey R. Singer	8/2007 **	600		Vice President
David Hunter	8/2007 **	600		Secretary
** No term expiration				
		<u>Amounts Paid</u>		
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	9/2007	\$ 29,134		Attorney
Storm Water Solutions	06/2015	113,059		Operator
FSG Information Systems, LP	11/2015	2,756		Bookkeeper
Tax Tech, Inc.	9/2007	7,905		Tax Collector
Fort Bend Central Appraisal District	Legislation	2,614		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott LLP	4/2008	582		Delinquent Tax Attorney
Sherrington/Humble, Inc.	4/2008	16,162		Engineer
McGrath & Co., PLLC	Annual	7,500		Auditor
FirstSouthwest, a Division of Hilltop Securities	9/2007			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditors' report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN