

OFFICIAL STATEMENT DATED OCTOBER 16, 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 are **NOT** designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry-Only

Moody's Investors Service, Inc. (Underlying) "Baa3"
Moody's Investors Service, Inc. (AGM Insured).... "A2/Stable"
S&P Global Ratings (AGM Insured) "AA/Stable"
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

\$7,395,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 22

(A Political Subdivision of the State of Texas, located within Brazoria and Fort Bend Counties)

UNLIMITED TAX BONDS, SERIES 2018A

Dated: November 1, 2018

Due: September 1, as shown on inside cover

The \$7,395,000 Brazoria County Municipal Utility District No. 22 Unlimited Tax Bonds, Series 2018A (the "Bonds") are obligations of Brazoria County Municipal Utility District No. 22 (the "District") and are not obligations of the State of Texas, the City of Pearland, Texas, Brazoria County, Texas, Fort Bend County, Texas, or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, the City of Pearland, Texas, Brazoria County, Texas, Fort Bend County, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from November 1, 2018, and is payable March 1, 2019, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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



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

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Pearland, Texas, or any entity other than the District. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about November 15, 2018.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$2,450,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10605Q (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10605Q (b)
2020	\$ 185,000	5.500%	2.400%	DC1	2026(c)	\$ 230,000	3.000%	3.300%	DJ6
2021	190,000	5.500%	2.550%	DD9	2027(c)	240,000	3.250%	3.450%	DK3
2022	200,000	5.500%	2.700%	DE7	2028(c)	245,000	3.250%	3.600%	DL1
2023	205,000	5.500%	2.850%	DF4	2029(c)	255,000	3.500%	3.750%	DM9
2024(c)	215,000	5.500%	2.870%	DG2	2030(c)	265,000	3.750%	3.900%	DN7
2025(c)	220,000	3.000%	3.150%	DH0					

\$4,945,000 Term Bonds

\$560,000 Term Bonds Due September 1, 2032 (c)(d), Interest Rate: 3.750% (Price \$97.364) (a), CUSIP No. 10605Q DQ0 (b)
 \$600,000 Term Bonds Due September 1, 2034 (c)(d), Interest Rate: 4.000% (Price \$99.763) (a), CUSIP No. 10605Q DS6 (b)
 \$650,000 Term Bonds Due September 1, 2036 (c)(d), Interest Rate: 4.000% (Price \$98.989) (a), CUSIP No. 10605Q DU1 (b)
 \$700,000 Term Bonds Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price \$98.248) (a), CUSIP No. 10605Q DW7 (b)
 \$755,000 Term Bonds Due September 1, 2040 (c)(d), Interest Rate: 4.000% (Price \$97.576) (a), CUSIP No. 10605Q DY3 (b)
 \$805,000 Term Bonds Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price \$97.004) (a), CUSIP No. 10605Q EA4 (b)
 \$875,000 Term Bonds Due September 1, 2044 (c)(d), Interest Rate: 4.125% (Price \$98.355) (a), CUSIP No. 10605Q EC0 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (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 of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *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.

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

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 of 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, the United States Securities and Exchange Commission (the "SEC") Rule 15c2-12.

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 22 (the "District") of its \$7,395,000 Unlimited Tax Bonds, Series 2018A (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality, a resolution ("Bond Resolution") adopted by the Board of Directors of the District on the date of sale of the Bonds, and pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and an election held within the District on May 8, 2010, and passed by a majority of the participating voters.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

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 under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.051139% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.169359%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

Subject to certain restrictions described in the 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 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 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, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At June 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,221 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);

- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018).

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

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

Miscellaneous Matters

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

RATINGS

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 Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P solely in reliance upon the issuance of the municipal bond insurance policy issued by AGM at the time of the delivery of the Bonds.

Moody’s is expected to assign an insured rating of “A2” (stable outlook) solely in reliance upon the issuance of the municipal bond insurance policy issued by AGM at the time of delivery of the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Moody’s has assigned an underlying credit rating of “Baa3” to the Bonds.

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

The District is not aware of any ratings assigned to the Bonds other than the ratings of S&P and Moody’s.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The Issuer Brazoria County Municipal Utility District No. 22 (the "District"), a political subdivision of the State of Texas, is located in Brazoria County, Texas and Fort Bend County, Texas. See "THE DISTRICT."
- The Issue \$7,395,000 Brazoria County Municipal Utility District No. 22 Unlimited Tax Bonds, Series 2018A (the "Bonds"), are dated November 1, 2018. Interest accrues from November 1, 2018, at the rates set forth on the inside cover hereof, and is payable March 1, 2019, and each September 1 and March 1 thereafter until the earlier of stated maturity or optional redemption. The Bonds mature serially on September 1, in each year 2020 through 2044, both inclusive in the principal amounts set forth on the inside cover.
- Redemption Provisions..... Bonds maturing on or after September 1, 2024, are subject to redemption, 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 of the Bonds - *Optional Redemption.*"

The Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042 and 2044 are term bonds (the "Term Bonds") that are subject to the mandatory redemption provisions set out herein under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption.*"
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System."
- Source of Payment..... The Bonds are payable from a continuing, direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Pearland, Texas, Brazoria County, Texas, Fort Bend County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS - Source of Payment."
- Principal Use of Proceeds A portion of the proceeds of the sale of the Bonds will be used to redeem the \$3,015,000 Bond Anticipation Note, Series 2018 (the "BAN"), the proceeds of which were used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) partial costs for water, wastewater and drainage facilities for extension of Savannah Parkway and Laurel Heights Drive; (ii) land acquisition costs; (iii) water, wastewater, and drainage facilities serving Laurel Heights at Savannah, Sections 6-9; and (iv) engineering, geotechnical and surveying for items (i) - (iii). In addition, a portion of the proceeds of the Bonds will be used to pay the remaining portion of items (i) - (iv) listed above, developer interest, six (6) months capitalized interest, BAN interest and to pay other BAN and bond issuance costs. See "THE BONDS - Use and Distribution of Bond Proceeds."
- Qualified Tax-Exempt Obligations..... The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Not Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance..... Assured Guaranty Municipal Corp. See "MUNICIPAL BOND INSURANCE."

Rating.....	Moody’s Investors Service, Inc. (Underlying): Baa3 – See “RATINGS” Moody’s Investors Service, Inc. (AGM Insured): A2/Stable – See “RATINGS” S&P Global Ratings (AGM Insured): AA/Stable – See “RATINGS”
Outstanding Bonds.....	The District has previously issued its \$4,915,000 Unlimited Tax Bonds, Series 2016, \$5,320,000 Unlimited Tax Bonds, Series 2017 and \$4,465,000 Unlimited Tax Bonds, Series 2018. As of October 1, 2018, \$14,450,000 principal amount of such series of bonds remains outstanding (the “Outstanding Bonds”).
Short Term Debt.....	The District issued the BAN in the principal amount of \$3,015,000 on May 22, 2018. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to maturity. Proceeds from the BAN were used to finance portions of certain construction and other costs shown under “THE BONDS – Use and Distribution of Bonds Proceeds.”
Payment Record.....	The District has never defaulted on the payment of its bonded indebtedness.
Authority for Issuance.....	The Bonds are the fourth series of bonds issued out of an aggregate of \$185,920,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and drainage system (the “System”) and refunding of such bonds. Following the issuance of the Bonds, \$163,825,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and the refunding of such bonds, \$12,320,000 principal amount of unlimited tax bonds for parks and recreational facilities, and \$1,000,000 principal amount of unlimited tax bonds for firefighting facilities will remain authorized but unissued. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the District on May 8, 2010, a resolution authorizing the issuance of the Bonds approved by the District’s Board of Directors (the “Bond Resolution”), Chapters 49 and 54, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas. See “THE BONDS – Authority for Issuance.”
Legal Opinion.....	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

THE DISTRICT

Description.....	The District is a political subdivision of the State of Texas, located approximately 20 miles south of the central business district of Houston, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Pearland, Texas. The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, now the TCEQ, effective June 18, 2001. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts. The District consists of approximately 653.7 acres. See “THE DISTRICT.”
Development within the District.....	The District is one of two municipal utility districts that make up the approximately 1,250 acre master planned community known as Lakes of Savannah. To date, approximately 332 acres within the District have been developed as the residential subdivision of Laurel Heights of Savannah, Sections 1-9 (168.3 acres, 495 lots) and Stewart Heights at Savannah, Sections 1-8 and 11 (163.7 acres, 483 lots). In addition, 15.5 acres have been developed as Savannah Lakes Elementary School and a fire station and 2.3 acres have been developed for commercial use.

As of September 14, 2018, the District was composed of 634 completed homes, 83 homes under construction and approximately 261 vacant

developed lots. The remaining land within the District consists of approximately 279.4 undeveloped but developable acres and approximately 24.5 undevelopable acres consisting of easements, rights of way and greenbelts. See "PRINCIPAL LANDOWNER/DEVELOPER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

Developer..... Land within the District is being developed by Savannah Development, Ltd., a Texas limited partnership ("Developer"). Lennar Texas Holding Company, a Texas corporation, is the sole general partner of the Developer. Lennar Texas Holding Company is wholly-owned by Lennar Corporation. See "PRINCIPAL LANDOWNER/DEVELOPER," and "DEVELOPMENT OF THE DISTRICT."

Homebuilders Within the District Homebuilders who are active in the District include Lennar, Devon Street Homes, Westin Homes, M/I Homes and GreenECO Builders. Prices of new homes being constructed in the District range from the \$200,000's - \$400,000's. See "DEVELOPMENT OF THE DISTRICT - Homebuilders within the District."

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS ARE DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2018 Assessed Taxable Valuation		\$ 155,001,932 (a)
(Value from the Appraisal Districts as of January 1, 2018)		
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Taxable Valuation as of August 1, 2018.....		\$ 191,051,860 (b)
(Value from the Appraisal Districts as of August 1, 2018)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Outstanding Bonds (as of October 1, 2018)	\$ 14,450,000	
The Bonds	<u>7,395,000</u>	
Total.....	\$ 21,845,000	
Estimated Overlapping Debt.....		<u>13,385,426 (c)</u>
Total Direct and Estimated Overlapping Debt.....		<u>\$ 35,230,426</u>
Direct Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation		14.09 %
As a percentage of the Estimated Taxable Valuation as of August 1, 2018		11.43 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation		22.73 %
As a percentage of the Estimated Taxable Valuation as of August 1, 2018		18.44 %
Debt Service Fund Balance (as of October 16, 2018)	\$ 331,188 (d)	
General Fund Balance (as of October 16, 2018)	\$ 966,293	
Capital Projects Fund Balance (as of October 16, 2018)	\$ 295,893	
2018 Tax Rate per \$100 of Assessed Taxable Valuation		
Debt Service	\$ 0.7500	
Maintenance	<u>0.6500</u>	\$ 1.4000
Average Annual Debt Service Requirements		
on the Bonds and the Outstanding Bonds (2019-2044)		\$ 1,291,091 (e)
Maximum Annual Debt Service Requirements		
on the Bonds and the Outstanding Bonds (2020).....		\$ 1,383,229 (e)
Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average		
Annual Debt Service Requirements on the Bonds and the Outstanding Bonds		
(2019-2044) at 95% Tax Collections:		
Based Upon 2018 Assessed Taxable Valuation (\$155,001,932).....		\$ 0.88
Based Upon the Estimated Taxable Valuation as of August 1, 2018 (\$191,051,860).....		\$ 0.72
Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum		
Annual Debt Service Requirement on the Bonds and the Outstanding Bonds		
(2037) at 95% Tax Collections:		
Based Upon 2018 Assessed Taxable Valuation (\$155,001,932).....		\$ 0.94
Based Upon the Estimated Taxable Valuation as of August 1, 2018 (\$191,051,860).....		\$ 0.77
Number of Single-Family Homes (including 83 homes in various		
stages of construction) as of September 14, 2018.....		717 (f)
District Population.....		2,219 (g)

- (a) All property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Districts. Does not include \$625,740 of uncertified value, as provided by the Appraisal Districts. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal Districts for information purposes only. Represents new construction within the District as of August 1, 2018. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. In addition, six (6) months of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds.
- (e) Debt service requirement on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT."
- (f) Approximately 634 homes are occupied.
- (g) Based upon 3.5 residents per occupied single-family home.

\$7,395,000
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 22
UNLIMITED TAX BONDS
SERIES 2018A

INTRODUCTION

This Official Statement of Brazoria County Municipal Utility District No. 22 (the "District") is provided to furnish information with respect to the issuance by the District of its \$7,395,000 Unlimited Tax Bonds, Series 2018A (the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution; and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) an election held within the District on May 8, 2010, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and (iv) an Order of the Texas Commission on Environmental Quality (the "TCEQ").

There follow in this Official Statement descriptions of the Bonds, the Developer (hereinafter defined), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated November 1, 2018, with interest payable March 1, 2019, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered serial bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District 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 United States Securities and Exchange Commission, 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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 Issuer 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 the 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 Issuer takes no responsibility for the accuracy thereof.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. 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. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Funds

The Bond Resolution confirms the District's Debt Service Fund (the "Debt Service Fund"). Accrued interest and six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Redemption of the Bonds

Optional Redemption

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. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042 and 2044 are term bonds (the "Term Bonds") that shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only-form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

\$560,000 Term Bonds Maturing on September 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2031	\$275,000
September 1, 2032 (maturity)	285,000

600,000 Term Bonds Maturing on September 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2033	\$295,000
September 1, 2034 (maturity)	305,000

650,000 Term Bonds Maturing on September 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$320,000
September 1, 2036 (maturity)	330,000

700,000 Term Bonds Maturing on September 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$345,000
September 1, 2038 (maturity)	355,000

755,000 Term Bonds Maturing on September 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2039	\$370,000
September 1, 2040 (maturity)	385,000

805,000 Term Bonds Maturing on September 1, 2042

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$395,000
September 1, 2042 (maturity)	410,000

875,000 Term Bonds Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$430,000
September 1, 2044 (maturity)	445,000

The principal amount of the Term Bonds of a maturity 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 of such maturity which, at least 50 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 provision and not theretofore credited against a mandatory sinking fund redemption requirement.

Outstanding Bonds

The District has previously issued its \$4,915,000 Unlimited Tax Bonds, Series 2016, \$5,320,000 Unlimited Tax Bonds, Series 2017 and \$4,465,000 Unlimited Tax Bonds, Series 2018. As of October 1, 2018, \$14,450,000 principal amount of such series of bonds remains outstanding (the "Outstanding Bonds").

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds constitute the fourth installment of the \$185,920,000 principal amount of unlimited tax bonds for water, sewer and drainage purposes authorized at an election held within the District on May 8, 2010. Following the issuance of the Bonds, \$163,825,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and for the refunding of such bonds, \$12,320,000 principal amount of unlimited tax bonds for parks and recreational facilities and \$1,000,000 authorized but unissued unlimited tax bonds for firefighting facilities will remain authorized but unissued.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and Appraisal Districts fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Pearland, Texas, or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$185,920,000 unlimited tax bonds for water, wastewater and drainage facilities and the refunding of such bonds and could authorize additional amounts. The District has also authorized \$12,320,000 unlimited tax park and recreational facilities bonds and refunding purposes and \$1,000,000 unlimited tax bonds for firefighting facilities. The Bonds are the fourth series of unlimited tax bonds issued by the District for the purpose of water, wastewater and drainage facilities to serve the District. Following the issuance of the Bonds, \$163,825,000 of unlimited tax bonds for water, wastewater and drainage facilities, and \$12,320,000 unlimited tax recreational facilities bonds and refunding purposes and \$1,000,000 unlimited tax bonds for firefighting facilities will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ). Following the issuance of the Bonds, the District will owe Developers approximately \$11,900,000 for existing water, wastewater and drainage facilities located within the District.

The District is also authorized by statute to engage in firefighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has adopted a fire plan and called an election for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on May 8, 2010 the District's voters authorized \$12,320,000 in unlimited tax bonds for the purpose of acquiring and constructing parks and recreational facilities. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a park bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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. 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 relating to 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.

Use and Distribution of Bond Proceeds

The construction costs below were compiled by the District's Engineer and were submitted to the TCEQ in the District's Bond Application Report. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

	<u>District's Share</u>
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Laurel Heights at Savannah Section 6 - W, WW & D	\$ 1,111,707
2. Laurel Heights at Savannah Section 7 - W, WW & D	752,596
3. Laurel Heights at Savannah Sections 8 & 9 - W, WW & D	1,237,854
4. Extension of Savannah Parkway & Laurel Heights Drive - W, WW & D	58,882
5. Engineering, Surveying and Geotech for Items No. 1-4	644,541
6. Storm Water Pollution Prevention Planning (SWPPP) for Items No. 1-4	190,328
Total Developer Contribution Items	<u>\$ 3,995,908</u>
B. District Items	
1. Water Plant No. 1 Improvements	\$ 13,020
2. Emergency Generator at Water Plant No. 1	8,328
3. Booster Pump Expansion at Water Plant No. 1	1,428
4. Water Supply Plant Expansion	7,089
5. Remote Well No. 1, Ground Storage Tank & Well Collection Line	98,790
6. Water Supply Plant Expansion for 2015-2017	104,386
7. Reverse Osmosis Water Treatment Unit	222,542
8. WWTP Rehabilitation & Expansion to 0.3 75 MGD	41,547
9. WWTP Rehabilitation & Expansion Phase 3 to 0.5 MGD	39,171
10. WWTP Blower Replacement	6,667
11. Emergency Generator at WWTP	6,692
12. Lift Station No. 1 & Force Main	4,015
13. WWTP Expansion Phase IV to 0.75 MGD	733,348
14. Contingency for District Item No. 13	110,002
15. Engineering and Geotech for District Items No. 1-12	66,924
16. Engineering and Geotech for District Items No. 13 & 14	156,008
17. Miscellaneous Costs for Remote Water Well No. 1	2,459
18. Water Plant Lease/Purchase Payments and Capital Costs	88,822
19. WWTP Lease/Purchase Payments and Capital Costs	15,414
20. Land Acquisition Costs	
a. Partial costs for WWTP Site	1,516
b. Partial costs for Water Plant Site	654
c. Partial costs for Remote Water Well No. 1 Site	100
d. Phase 2 Savannah North Detention & Drainage Facilities NE2	53,273
Total District Items	<u>\$ 1,782,195</u>
Subtotal Construction Costs	\$ 5,778,103
Less: Use of Surplus Funds	<u>(80,000)</u>
TOTAL NET CONSTRUCTION COSTS:	\$ 5,698,103

NON-CONSTRUCTION COSTS

A. Legal Fees	167,900
B. Fiscal Agent Fees	147,900
C. Interest	
1. Capitalized Interest	150,172
2. Developer Interest	567,758
3. BAN Interest	33,628
D. Bond Discount	218,068
E. District Operating Expenses	146,714
F. Bond Issuance Expenses	54,255
G. BAN Issuance Expenses	77,874
H. Bond Application Report Costs	45,000
I. Attorney General Fee	7,395
J. TCEQ Bond Issuance Fee	18,488
K. Contingency (a)	61,745
	<hr/>
TOTAL NON-CONSTRUCTION COSTS:	\$ 1,696,897
TOTAL BOND ISSUE REQUIREMENT:	\$ 7,395,000

(a) Represents the difference between estimated and actual amounts of Capitalized Interest, BAN Interest and Bond Discount. Funds can be used for purposes allowed and approved by the TCEQ, where required.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ, where required. 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. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

Authority

The District was created by order of the TCEQ, dated June 18, 2001, and by a confirmation election held within the District on August 11, 2001, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

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

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and, under certain limited circumstances, with TCEQ approval, to construct roads. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Description

At the time of the confirmation election, the District encompassed 327.38 acres. The District has since annexed 326.35 acres. The total acreage of the District is now approximately 653.73 acres. The District is located in Brazoria and Fort Bend Counties approximately 20 miles south of the City of Houston Central Business District. The District lies approximately 1.25 miles northeast of State Highway 6 and F.M. 521. The District is located within the extraterritorial jurisdiction of the City of Pearland, Texas.

Management of the District

The District is governed by the Board of Directors (the "Board") consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own taxable property in the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Staci L. Posten	President	2022
Kay Medlin	Vice President	2020
Joe White	Secretary	2020
Katherine Beverick	Assistant Vice President	2020
Ron Wefelmeyer	Assistant Secretary	2022

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

Consultants

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

Tax Assessor/Collector

The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc.

Auditor

The financial statements of the District as of August 31, 2017, and for the year then ended, included in the offering document, have been audited by BKD, LLP (“BKD”), independent auditors, as stated in their report appearing herein. BKD has been engaged by the District to audit its financial statements for the fiscal year ended August 31, 2018.

Utility System Operator

The District’s water and sewer system is operated by Environmental Development Partners LLC (“EDP”).

Engineer

The District’s Engineer is LJA Engineering, Inc. (the “Engineer”). Such firm acts as engineer for many residential and commercial developments in Texas.

Attorney

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Financial Advisor

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

Disclosure Counsel

Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Pearland (the “City”), the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of the Strategic Partnership Agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See “Strategic Partnership Agreement and Fire Services” below for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City will assume the District’s assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES

In 2002, the District and the City entered into a Strategic Partnership Agreement, amended in 2014 (the “SPA”), pursuant to Section 43.0751 of the Texas Local Government Code. The District has agreed to cooperate with the City for permanent regional wastewater facilities, to commence once the temporary wastewater capacity leased or utilized by the District and Brazoria County Municipal Utility District No. 21 (“BC MUD 21”) combined exceeds 750,000 gallons per day of treatment capacity. When the two districts’ average daily flow reaches 75 percent of such capacity, design will begin of permanent facilities, and construction will commence when flows reach 90 percent. In any event, the districts are obligated to commence construction of the permanent facilities prior to lowering their tax rates below \$1.00 per \$100 valuation. The City is authorized to construct or enlarge phases of the wastewater facilities to serve areas outside the District and BC MUD 21.

The District’s ultimate water capacity will be provided by the City through City 12-inch and 16-inch trunk lines, the costs of which will be borne by the District in proportion to the ultimate needs of the District, taking into account existing water supplies at the time of construction. Although the SPA required the District to size its water plant site to accommodate a 500,000 gallon elevated storage tank, the District is not required to fund or construct the tank.

Fire/EMS services. According to the SPA and a Fire/Emergency Medical Services (“EMS”) Agreement between the District and the City, the District and the City will cooperate to provide fire services to the District, and the residents of the District pay a monthly fee to the City in an amount estimated at \$16.73 per month. The District has received approval of a fire plan by the TCEQ, and in accordance with the Texas Water Code, the District held an election on September 13, 2003, in which the fire plan, including the issuance of unlimited tax bonds in the maximum amount of \$1,000,000, was approved by the voters in the District. The fire plan provides for fire and emergency medical services to be provided by the Pearland Volunteer Fire Department and the City. The District has constructed, in conjunction with the neighboring BC MUD 21, a fire/EMS facility to serve the District and surrounding areas. The facility has been accepted by the City pursuant to the SPA.

Sales Tax. The City is authorized to impose sales and use taxes on commercial areas within the boundaries of the District.

DEVELOPMENT OF THE DISTRICT

Approximately 332 acres (978 lots) within the District have been developed into the single-family subdivisions of Laurel Heights at Savannah, Sections 1-9 and Stewart Heights at Savannah, Sections 1-8 and 11. In addition, 15.5 acres have been developed as Savannah Lakes Elementary School and a fire station and 2.3 acres have been developed for commercial purposes.

As of September 14, 2018, the District was composed of 634 completed homes, 83 homes under construction and approximately 261 vacant developed lots. The remaining land within the District consists of approximately 279.4 undeveloped but developable acres and approximately 24.5 undevelopable acres consisting of easements, rights of way and greenbelts.

Status of Development within the District

The following is a status of construction of single-family housing within the District as of September 14, 2018:

<u>Development Area</u>	<u>Platted Acreage</u>	<u>Platted Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Laurel Heights at Savannah,					
Section 1	17.1	61	60	1	0
Section 2	9.1	40	40	0	0
Section 3	30.4	28	28	0	0
Section 4	11.7	38	38	0	0
Section 5	12.4	56	56	0	0
Section 6	23.2	59	45	0	14
Section 7	29.3	79	79	0	0
Section 8	18.6	68	66	2	0
Section 9	16.5	66	66	0	0
Stewart Heights,					
Section 1	11.5	50	37	6	7
Section 2	12.0	44	23	6	15
Section 3	39.5	73	33	7	33
Section 4	20.4	62	47	10	5
Section 5	21.8	55	11	35	9
Section 6	10.2	31	0	0	31
Section 7	10.9	46	5	14	27
Section 8	18.5	72	0	2	70
Section 11	<u>18.9</u>	<u>50</u>	<u>0</u>	<u>0</u>	<u>50</u>
Total	332.0	978	634	83	261
Commercial Acreage	2.3				
School & Fire Station	15.5				
Undeveloped but Developable Acreage	279.4				
Undevelopable Acreage	<u>24.5</u>				
Total District Acreage	653.7				

Homebuilders within the District

Homebuilders who are active in the District include Lennar, Devon Street Homes, Westin Homes, M/I Homes and GreenECO Builders. Prices of new homes being constructed in the District range from the \$200,000's - \$400,000's.

Future Development

Approximately 279.4 acres of developable land in the District remain to be developed with water, sanitary sewer and drainage facilities and approximately 24.5 acres are undevelopable. The District can make no representation that any future development will occur within the District. In the event that future development does occur within the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

PRINCIPAL LANDOWNER/DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility 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 most 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 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 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.

Principal Landowner/Developer

The primary developer of land within the District is Savannah Development Ltd., a Texas limited partnership (the "Developer"). The sole general partner of the Developer is Lennar Texas Holding Company, a Texas corporation. Lennar Texas Holding Company is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar Corporation. However, Lennar Corporation is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar Corporation is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar Corporation has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar Corporation is subject to change at any time. Because of the foregoing, financial information concerning the Developer and Lennar Corporation will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

Lennar Homes of Texas Land and Construction, a Texas limited partnership, d/b/a Friendswood Development Company ("FDC") is managing the development in the District. FDC's sole general partner also is Lennar Texas Holding Company.

The Developer is also a landowner of the land within BC MUD 21, which is adjacent to the District on its southern boundary and is a part of the Lakes of Savannah.

In addition to Savannah, FDC is the developer in the Houston, Texas area master planned communities of Kingwood, West Ranch, Lakemont, Graystone Hills, Wildwood at Northpointe and Fairfield, as well as numerous smaller communities, including Bay Colony West, Clearview Village, Hidden Creek, Falls at Green Meadows and other communities.

THE SYSTEM

Regulation

According to the District's Engineer, the District's System has 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. Water, wastewater and storm drainage facilities are subject to the regulatory authority of Brazoria County, Texas, Fort Bend County, Texas, and the Brazoria County Drainage District No. 4, the Federal Emergency Management Agency and, in some instances, the Commission, the U.S. Army Corps of Engineers and the City. 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.

Operation of the District's System as it now exists or as it may be expanded from time to time is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions, which could in turn require additional expenditures by the District in order to achieve compliance with the regulatory requirements.

Water, Sanitary Sewer and Drainage System

Source of Water Supply: The District currently has a joint facilities/cost sharing agreement with BC MUD 21 for a water plant that includes a 1,300 gallon per minute main well, a 1,500 gallon per minute backup well, hydropneumatic tanks with 55,000 gallons of capacity, two 250,000 gallon ground storage tanks, a 500,000 gallon ground storage tank, and booster pumps with a 5,700 gallon per minute capacity. The current total capacity of the water plant is sufficient to serve approximately 2,850 equivalent single-family connections ("ESFCs"), of which 1,357 ESFCs are contracted to the District. The District will require additional improvements to the water plant in order to complete the balance of the development.

The District previously owned and operated a 300 gallon per minute backup well. Due to production limitations, the well was plugged and abandoned. The District does not currently have any emergency interconnect agreements with neighboring entities. However, the District's construction of Remote Water Well No. 1 with BC MUD 21 provides a second source of water to maintain the TCEQ minimum water supply to the District in the event of an emergency.

Source of Wastewater Treatment: The District has a joint facilities/cost sharing agreement with BC MUD 21 for a 500,000 gallon per day ("gpd") packaged wastewater treatment plant. The total capacity of the plant is sufficient to serve approximately 2,232 ESFCs, of which 1,063 ESFCs are contracted to the District. The District will require additional expansions to the treatment plant in order to complete the balance of development. The District makes no representation when, or if, such expansions shall occur or what the terms of such expansions, if any, will ultimately be.

The District has contracted to participate with the City in regional water and wastewater facilities at a future date. When the packaged wastewater treatment plant's capacity reaches 90% of 750,000 gpd, serving both the District and BC MUD 21, the capacity served by the packaged wastewater treatment plant is required to be replaced with permanent capacity and the City may participate in upsizing the permanent plant to serve areas outside the two districts. In addition, the District will be required to participate in the costs of City water trunkline construction when the City chooses to construct such trunklines to serve the District; provided that the District's cost share will be limited to capacity actually required to serve the District, taking existing capacity into account. See "STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES."

Certificate of Convenience and Necessity: The District is located in the extraterritorial jurisdiction of the City, an area for which the City currently maintains a Certificate of Convenience and Necessity ("CCN") for retail water and wastewater services. In cooperation with the City, the District acquired a CCN for water and wastewater services within the District, concurrent with the City and is authorized thereby to provide such services in the District.

100 Year Flood Plain

No portion of the District lies within the 100-year floodplain as delineated by the current Flood Insurance Rate Map (FIRM), Map Panel 48039C0020H (revised June 5, 1989) and 48157C0315L (revised April 2, 2014), Brazoria County, Texas and Incorporated Areas.

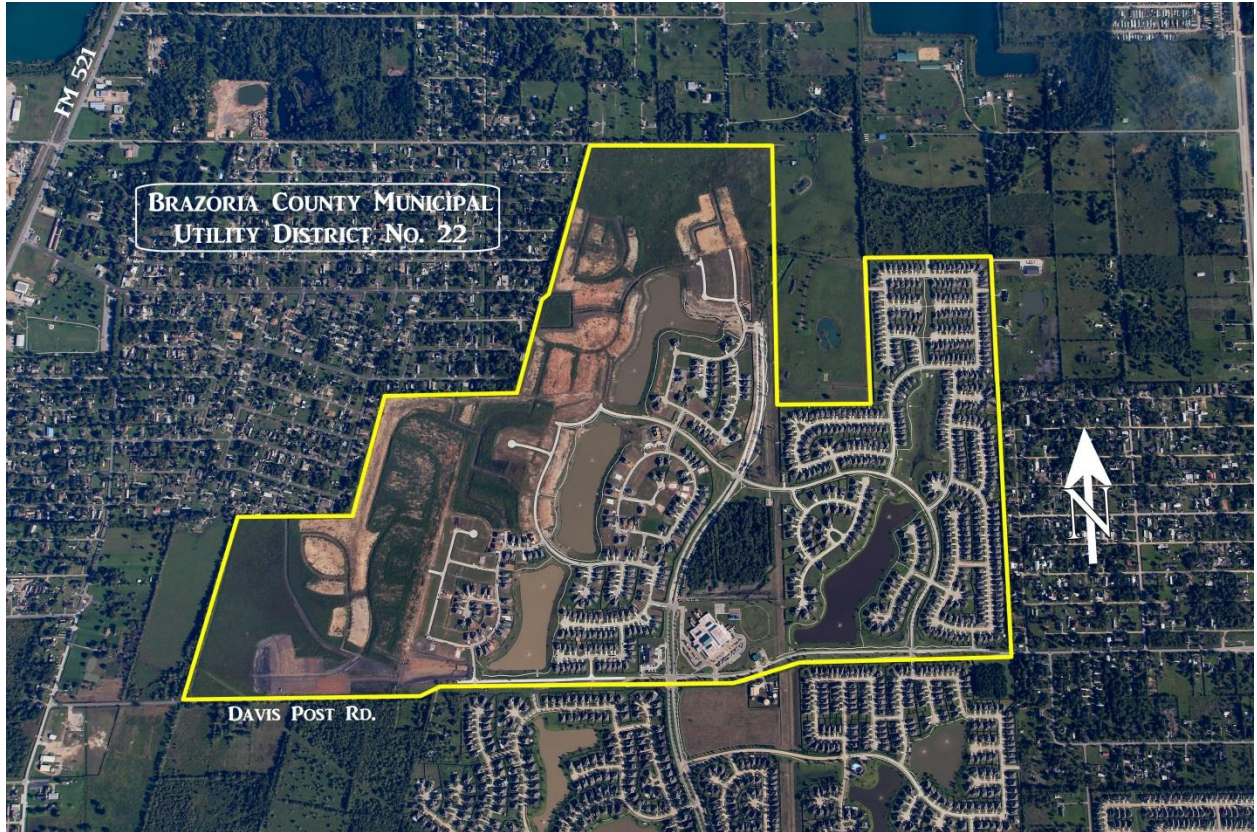
General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Although the District was created in 2001, it was largely inactive until the fiscal year ended August 31, 2014, the first year it was required under Texas law to provide audited financial statements. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ended August 31, 2014, through August 31, 2017, and from an unaudited summary prepared by the District's bookkeeper for the fiscal year ended August 31, 2018. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	UNAUDITED	Fiscal Years Ended August 31,			
	08/31/18	2017	2016	2015	2014
Revenues					
Property Taxes	\$ 855,965	\$ 531,342	\$ 87,469	\$ 23,528	\$ 6,941
Water Service	256,789	168,036	109,771	37,201	-
Wastewater Service	194,462	139,625	60,627	6,977	-
Regional Water Fee	2,302	1,810	1,106	395	-
Penalty and Interest	14,805	6,736	3,845	478	-
Tap Connection and Inspection Fees	259,720	286,871	267,278	165,211	-
Investment Revenues	1,711	586	129	53	-
Miscellaneous Revenues	111,771	23,914	29,767	5,666	-
Total	<u>\$ 1,697,525</u>	<u>\$ 1,158,920</u>	<u>\$ 559,992</u>	<u>\$ 239,509</u>	<u>\$ 6,941</u>
Expenditures					
Purchased Services	\$ 156,742	\$ 97,471	\$ 54,152	\$ 17,924	\$ -
Professional Fees	144,942	110,833	106,350	122,062	103,974
Contracted Services	270,222	149,972	86,747	27,222	9,735
Utilities	13,096	9,387	11,176	3,406	15,768
Repairs and Maintenance	102,073	126,773	73,242	68,663	-
Other	85,098	53,636	34,037	14,905	15,586
Tap Connections	150,544	124,100	106,200	58,600	-
Capital Outlay	250,000	55,541	-	-	-
Debt Issuance Costs	-	39,475	23,661	-	-
Total	<u>\$ 1,172,717</u>	<u>\$ 767,188</u>	<u>\$ 495,565</u>	<u>\$ 312,782</u>	<u>\$ 145,063</u>
NET REVENUES (Deficit)	<u>\$ 524,808</u>	<u>\$ 391,732</u>	<u>\$ 64,427</u>	<u>\$ (73,273)</u>	<u>\$ (138,122)</u>
Developer Advances	-	-	-	150,000	137,500
Interfund Transfers In	-	23,661	-	-	-
Beginning fund balance	\$ 557,438	\$ 142,045	\$ 77,618	\$ 891	\$ 1,513
Ending fund balance	<u>\$ 1,082,246</u>	<u>\$ 557,438</u>	<u>\$ 142,045</u>	<u>\$ 77,618</u>	<u>\$ 891</u>

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AERIAL PHOTOGRAPH OF THE DISTRICT
(taken October 2018)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Calendar Year	Outstanding Debt Service	The Bonds		Total Debt Service
		Principal	Interest	
2019	\$ 898,798	\$ -	\$ 250,286	\$ 1,149,084
2020	897,885	185,000	300,344	1,383,229
2021	896,385	190,000	290,169	1,376,554
2022	894,308	200,000	279,719	1,374,027
2023	891,275	205,000	268,719	1,364,994
2024	887,263	215,000	257,444	1,359,707
2025	889,523	220,000	245,619	1,355,142
2026	890,838	230,000	239,019	1,359,857
2027	891,963	240,000	232,119	1,364,082
2028	892,225	245,000	224,319	1,361,544
2029	896,344	255,000	216,356	1,367,700
2030	899,206	265,000	207,431	1,371,637
2031	896,100	275,000	197,494	1,368,594
2032	897,138	285,000	187,181	1,369,319
2033	902,250	295,000	176,494	1,373,744
2034	900,750	305,000	164,694	1,370,444
2035	903,575	320,000	152,494	1,376,069
2036	905,006	330,000	139,694	1,374,700
2037	905,563	345,000	126,494	1,377,057
2038	904,438	355,000	112,694	1,372,132
2039	902,419	370,000	98,494	1,370,913
2040	903,419	385,000	83,694	1,372,113
2041	903,300	395,000	68,294	1,366,594
2042	617,063	410,000	52,494	1,079,557
2043	280,125	430,000	36,094	746,219
2044	-	445,000	18,356	463,356
Total	\$ 21,547,159	\$ 7,395,000	\$ 4,626,209	\$ 33,568,368

Average Annual Requirement - (2019-2044).....	\$1,291,091
Maximum Annual Requirement - (2020).....	\$1,383,229

Bonded Indebtedness

2018 Assessed Taxable Valuation		\$ 155,001,932 (a)
(Value from the Appraisal Districts as of January 1, 2018)		
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Taxable Valuation as of August 1, 2018.....		\$ 191,051,860 (b)
(Value from the Appraisal Districts as of August 1, 2018)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt		
Outstanding Bonds (as of October 1, 2018).....	\$	14,450,000
The Bonds		<u>7,395,000</u>
Total	\$	<u>21,845,000</u>
Estimated Overlapping Debt.....	\$	<u>13,385,426 (c)</u>
Total Direct and Estimated Overlapping Debt.....	\$	<u>35,230,426</u>
Debt Service Fund Balance (as of October 16, 2018)	\$	331,188 (d)
General Fund Balance (as of October 16, 2018)	\$	966,293
Capital Projects Fund Balance (as of October 16, 2018)	\$	295,893
2018 Tax Rate per \$100 of Assessed Taxable Valuation		
Debt Service.....	\$	0.75
Maintenance.....		<u>0.65</u>
		\$ 1.40
Direct Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation (\$155,001,932)		14.09 %
As a percentage of the Estimated Taxable Valuation as of August 1, 2018 (\$191,051,860)		11.43 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation (\$155,001,932)		22.73 %
As a percentage of the Estimated Taxable Valuation as of August 1, 2018 (\$191,051,860)		18.44 %

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- (a) All property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Districts. Does not include \$625,740 of uncertified value, as provided by the Appraisal Districts. See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal Districts for information purposes only. Represents new construction within the District as of August 1, 2018. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. In addition, six (6) months of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds.

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of September 30, 2018	Estimated Overlapping	
		Percent	Amount
Brazoria County	\$ 76,230,000	0.52%	\$ 400,147
Fort Bend County	593,940,527	(a)	0
Fort Bend ISD	1,000,633,767	(a)	0
Alvin ISD	668,510,000	1.87	12,483,000
Alvin Community College District	32,520,000	1.54	<u>502,279</u>
Total Estimated Overlapping Debt The District			\$ 13,385,426 <u>21,845,000(b)</u>
Total Direct & Estimated Overlapping Debt			<u>\$ 35,230,426(b)</u>

- (a) Less than 0.01%.
(b) Includes the Bonds.

Debt Ratios

	% of 2018 Assessed Taxable Valuation	% the Estimated Taxable Valuation as of August 1, 2018
Direct Debt (a)	14.09%	11.43%
Direct and Estimated Overlapping Debt (a)	22.73%	18.44%

- (a) Includes the Bonds.

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 "INVESTMENT CONSIDERATIONS - Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax."

Property Tax Code and County-wide Appraisal District

Title I of the Texas Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property 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 Brazoria County Appraisal District has the responsibility of appraising property for all taxing units within Brazoria County, including the majority of the District. The Fort Bend Central Appraisal District has the responsibility of appraising property for all taxing units within Fort Bend County, including the portion of the District located within Fort Bend County. The Brazoria County Appraisal District and Fort Bend Central Appraisal District are referred to herein as the "Appraisal Districts." Such appraisal values will be subject to review and change by the Appraisal Review Board for the applicable appraisal district. The appraisal roll, as approved by

the Appraisal Review Board for both Appraisal Districts, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; 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 of Directors of the District. 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 was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Brazoria County or Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Brazoria County, Fort Bend County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Brazoria County and Fort Bend County have not designated any 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 Districts 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 applicable appraisal district, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property 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 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 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 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 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 Code requires the Appraisal Districts 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 Districts at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal Districts 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 Districts 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 Districts choose to formally include such values on their appraisal rolls.

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

The Property 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 Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service tax rate 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a maintenance tax of \$0.65 per \$100 of assessed valuation and a debt service tax of \$0.75 per \$100 of assessed valuation for the 2018 tax year.

Tax Rate Limitation

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

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. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See “Tax Rate Distribution” below.

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.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurs beyond the 2018 Assessed Taxable Valuation (\$155,001,932) or the Estimated Taxable Valuation as of August 1, 2018 (\$191,051,860). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirements (2019-2044)	\$1,291,091
Tax Rate of \$0.88 on the 2018 Assessed Taxable Valuation produces	\$1,295,816
Tax Rate of \$0.72 on the Estimated Taxable Valuation as of August 1, 2018 produces	\$1,306,795
Maximum Annual Debt Service Requirement (2020).....	\$1,383,229
Tax Rate of \$0.94 on the 2018 Assessed Taxable Valuation produces	\$1,384,167
Tax Rate of \$0.77 on the Estimated Taxable Valuation as of August 1, 2018 produces	\$1,397,544

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Estimated Overlapping Taxes

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

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

<u>Taxing Jurisdictions</u>	<u>2017 Tax Rate Per \$100 of A.V. Brazoria County</u>	<u>2017 Tax Rate Per \$100 of A.V. Fort Bend County</u>
The District (2018)	\$1.400000	\$1.400000
Brazoria County (a)	0.440234	-
Fort Bend County (b)	-	0.469000
Alvin Independent School District	1.450000	-
Fort Bend Independent School District	-	1.320000
Alvin Community College District	0.180750	-
Brazoria County Drainage District No. 4	<u>0.146000</u>	<u>-</u>
Total Tax Rate	<u>\$3.616984</u>	<u>\$3.189000</u>

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

- (a) Includes Road & Bridge Fund tax and Mosquito Control District tax.
 (b) Includes Fort Bend County Drainage District tax.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Year Ended September 30	% of Collections as of 9/30/2018
2013	\$ 495,799	\$1.40000	\$ 6,941	100.00%	2014	100.00%
2014	1,680,590	1.40000	23,528	100.00%	2015	100.00%
2015	6,309,371	1.40000	88,331	98.86%	2016	100.00%
2016	50,747,759	1.40000	710,469	97.44%	2017	100.00%
2017	105,597,980	1.40000	1,478,372	99.37%(b)	2018	99.37%(b)
2018	155,001,932	1.40000	2,325,029	(c)	2019	(c)

- (a) See "Tax Rate Distribution" below.
 (b) Collections as of September 30, 2018.
 (c) In process of collections.

Tax Rate Distribution

	2018	2017	2016	2015	2014	2013 (a)
Debt Service	\$0.75	\$0.59	\$0.32	\$0.00	\$0.00	\$0.00
Maintenance	<u>0.65</u>	<u>0.81</u>	<u>1.08</u>	<u>1.40</u>	<u>1.40</u>	<u>1.40</u>
	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>

- (a) First year of tax levy.

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2014-2018 tax rolls as certified by the Appraisal Districts. The District first levied taxes in the fiscal year ended August 31, 2014.

Type of Property	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation	2014 Assessed Taxable Valuation
Land	\$ 36,564,931	\$ 28,301,000	\$ 21,193,310	\$ 7,340,561	\$ 3,731,231
Improvements	133,648,452	94,264,180	49,043,140	13,979,830	12,500,690
Personal Property	2,065,900	1,148,590	453,060	196,370	198,230
Exemptions	<u>(17,277,351)</u>	<u>(16,115,790)</u>	<u>(19,941,751)</u>	<u>(15,207,390)</u>	<u>(14,749,561)</u>
Total	\$ 155,001,932	\$ 105,597,980	\$ 50,747,759	\$ 6,309,371	\$ 1,680,590

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2018 tax year.

Taxpayer	Type of Property	Assessed Taxable Valuation 2018 Tax Roll
Savannah Development Ltd (a)	Land & Improvements	\$ 5,464,160
Lennar Homes of Texas Land & Construction	Land & Improvements	3,860,250
Devon Street Homes	Land & Improvements	3,194,990
Greeneco Builders LLC	Land & Improvements	2,687,280
Apollos 32 Holdings Inc	Residential	1,797,040
M/I Homes of Houston	Residential	1,121,560
Homeowner	Residential	505,970
Homeowner	Residential	493,290
Westin Homes & Properties LP	Land & Improvements	483,110
Homeowner	Residential	<u>374,420</u>
Total		\$ 19,982,070
% of Respective Tax Roll		<u>12.89</u> %

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowner/Developer: There is no commitment by or legal requirement of the principal landowner/developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any

particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER" and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2018 Assessed Taxable Valuation of property located within the District (see "TAX DATA") is \$155,001,932 and the Estimated Taxable Valuation as of August 1, 2018 is \$191,051,860. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,383,229 (2020) and the average annual debt service requirements on the Bonds and the Outstanding Bonds will be \$1,291,091 (2019-2044). Assuming no increase to nor decrease from the 2018 Assessed Taxable Valuation, tax rates of \$0.94 and \$0.88 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of August 1, 2018 tax rates of \$0.77 and \$0.72 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2018, the District levied a maintenance tax of \$0.65 per \$100 of assessed valuation and a debt service tax of \$0.75 per \$100 of assessed valuation.

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

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 (herein defined), the Engineer (herein defined), and EDP (herein defined), Hurricane Harvey caused no material damage to the District's water distribution, wastewater collection and drainage facilities (the "System") and there was no interruption to water and sewer service in the District. Further, to the best knowledge of the Developer, the Engineer, and EDP, 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 Brazoria and Fort Bend Counties, 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 did not request a reappraisal for the 2017 tax year. See "TAXING PROCEDURES – Property Tax Code and County-wide Appraisal District."

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."

Competitive Nature of Houston Residential Housing Market

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

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 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 two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for commercial and other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and commercial and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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

Marketability

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."

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 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 "RATINGS."

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 or Initial Purchaser has 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" 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.

Future Debt

The District has the right to issue the remaining \$163,825,000 authorized but unissued unlimited tax bonds for water, wastewater and drainage facilities and the refunding of such bonds, \$12,320,000 authorized but unissued unlimited tax bonds for park and recreational facilities and \$1,000,000 authorized but unissued unlimited tax bonds for firefighting facilities remaining after the issuance of the Bonds (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$163,825,000 in unlimited tax bonds for water, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$163,825,000 in unlimited tax bonds for water, wastewater and drainage facilities is also subject to approval by the TCEQ.

After the issuance of the Bonds, the District will owe the Developer approximately \$11,900,000 for the existing facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

The District's Engineer estimates that the aforementioned \$163,825,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new

industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 “eight-hour” ozone standards (“the 1997 Ozone Standards”). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas’s redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the 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. The CWR has been the subject of numerous lawsuits in federal district courts and the United States Supreme Court.

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.

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. On August 16, 2018, a federal judge in South Carolina held that the EPA violated the Administrative Procedure Act by enacting this rule without the customary 30-day comment period, and issued a nation-wide injunction on the rule extending the effective date of the CWR, thereby reinstating the CWR in 26 states, including Texas. On September 13, 2018, a United States District Court of the Southern District of Texas judge temporarily halted the implementation of the CWR in Texas, Louisiana, and Mississippi.

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 June 30, 2018, the EPA and the USACE issued a supplemental notice of proposed rulemaking to clarify that the agencies are proposing to permanently repeal the 2015 rule in its entirety, and reinstate language in place before 2015 changes while developing a revised definition of “waters of the United States.” The proposed rule will be published in the Federal Register and is then subject to a 30-day public comment period prior to final publication.

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.

Changes in Tax Legislation

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

LEGAL MATTERS

Legal 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 income 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 BONDS (except for information under the subheadings “- Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - Authority,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law 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 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 to the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Purchasers 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 of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that 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 purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District 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 ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals 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 hereof. 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 of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on 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 is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Not Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2018.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete

within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax 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 Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as 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 last five years, the District has complied in all material respects with this agreement in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector 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, resolutions 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

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

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

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, 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.

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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 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 Brazoria County Municipal Utility District No. 22 as of the date shown on the first page hereof.

/s/ Staci Posten
President, Board of Directors
Brazoria County Municipal Utility District No. 22

ATTEST:

/s/ Joe White
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 22

APPENDIX A

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

Brazoria County Municipal Utility District No. 22

Brazoria County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2017



Brazoria County Municipal Utility District No. 22
August 31, 2017

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Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 22
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities of Brazoria County Municipal Utility District No. 22 (the District), which are comprised of a statement of net position as of August 31, 2017, and a statement of activities for the year then ended; as well as the accompanying financial statements of each major fund, which for governmental funds are comprised of a balance sheet as of August 31, 2017, and a statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of August 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

BKD, LLP

Houston, Texas
January 12, 2018

Brazoria County Municipal Utility District No. 22

Management's Discussion and Analysis

August 31, 2017

Overview of the Financial Statements

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

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

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

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2017

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

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

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

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

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

Notes to Financial Statements

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

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2017

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 1,526,665	\$ 1,415,941
Capital assets	<u>20,369,777</u>	<u>16,026,995</u>
Total assets	<u>\$ 21,896,442</u>	<u>\$ 17,442,936</u>
Long-term liabilities	\$ 22,363,599	\$ 17,479,621
Other liabilities	<u>2,696,524</u>	<u>1,754,852</u>
Total liabilities	<u>25,060,123</u>	<u>19,234,473</u>
Net position:		
Net investment in capital assets	(3,895,162)	(1,934,770)
Restricted	156,740	184
Unrestricted	<u>574,741</u>	<u>143,049</u>
Total net position	<u>\$ (3,163,681)</u>	<u>\$ (1,791,537)</u>

The total net position of the District decreased by \$1,372,144 or about 77 percent. The majority of the decrease in net position is related to depreciation expense on the District's capital assets, as well as increases in services and debt service expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Property taxes	\$ 709,905	\$ 88,473
Charges for services	309,471	171,504
Other revenues	<u>328,022</u>	<u>301,437</u>
Total revenues	<u>1,347,398</u>	<u>561,414</u>

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2017

Summary of Changes in Net Position (Continued)

	2017	2016
Expenses:		
Services	\$ 1,668,848	\$ 818,855
Depreciation	404,910	334,161
Debt service	645,784	402,856
Total expenses	<u>2,719,542</u>	<u>1,555,872</u>
Change in net position	(1,372,144)	(994,458)
Net position, beginning of year	<u>(1,791,537)</u>	<u>(797,079)</u>
Net position, end of year	<u>\$ (3,163,681)</u>	<u>\$ (1,791,537)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2017, were \$1,317,193 an increase of \$21,590 from the prior year.

The general fund's fund balance increased by \$415,393 primarily due to property taxes and water and sewer service revenues exceeding service operations expenditures.

The debt service fund's fund balance increased by \$28,008 due to property taxes and proceeds received from a current year bond sale exceeding debt service interest requirements.

The capital projects fund's fund balance decreased by \$421,811 primarily due to debt issuance costs, principal retirement and capital outlay expenditures exceeding the net proceeds received from current year bond and bond anticipation notes sales.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to sewer service revenues, tap connection and inspection fees revenues and expenditures, and purchased services and repairs and maintenance expenditures being greater than anticipated and property tax revenues and other and capital outlay expenditures being less than anticipated. In addition, other income, debt issuance costs and a transfer from the capital projects fund were not included in the current year budget. The fund balance as of August 31, 2017, was expected to be \$326,373 and the actual end-of-year fund balance was \$557,438.

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2017

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows.

Capital Assets (Net of Accumulated Depreciation)

	2017	2016
Land and improvements	\$ 5,449,857	\$ 3,913,685
Construction in progress	568,053	-
Water facilities	2,976,537	2,436,005
Wastewater facilities	5,768,270	5,032,669
Drainage facilities	5,607,060	4,644,636
Total capital assets	\$ 20,369,777	\$ 16,026,995

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

Land additions, including Phase 2 Savannah North Detention; 5.0-acre wastewater treatment plant site; 1.851-acre water plant site; 1.837-acre remote water well site; 1.9582-, 5.1898- and 1.358-acre drainage easement sites for Laurel Heights at Savannah, Section 7, Reserve F; Phases 1, 2 and 3 drainage facilities	\$ 1,536,172
Construction in progress related to water supply plant expansion, remote water well generator and reverse osmosis treatment unit	568,053
Engineering for 12" sanitary sewer force main	60,536
Water, sanitary sewer and drainage facilities for Laurel Heights at Savannah, Sections 1, 2 and 3, Phases 1, 2 and 3; Laurel Heights at Savannah, Sections 4 and 5, Phases 1 and 2; and County Road 58/Post Road and Savannah Parkway, Phase 3; Stewart Heights, Sections 1, 2 and Section 3; and Savannah Parkway, Phase 2	2,082,169
Additional costs related to joint facilities with Brazoria County Municipal Utility District No. 21 including, emergency generators at water plant No. 1 and wastewater treatment plant, water plant No. 1 improvements and expansion, water plant booster No. 1 expansion, Lakes of Savannah remote water well No. 1, ground storage tank No. 2 and well collection line, blower replacement and site work at wastewater treatment plant and wastewater treatment plant expansions to 0.375 mgd and 0.500 mgd	500,762
Total additions to capital assets	\$ 4,747,692

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2017

A developer within the District has constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of August 31, 2017, a liability for developer-constructed capital assets of \$9,608,438 was recorded in the government-wide financial statements and depreciation was recorded on those assets.

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2017, are summarized as follows:

Long-term debt payable, beginning of year	\$ 17,479,621
Increases in long-term debt	13,515,749
Decreases in long-term debt	<u>(8,631,771)</u>
 Long-term debt payable, end of year	 \$ <u>22,363,599</u>

At August 31, 2017, the District had \$175,685,000 of unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District. Also, the District had \$12,320,000 of unlimited tax bonds authorized but unissued for the purpose of constructing recreational facilities within the District, and \$1,000,000 of unlimited tax bonds authorized, but unissued, for fire-fighting services within the District.

The District's bonds do not carry an underlying rating. The Series 2017 bonds carry a "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Pearland

The District entered into a Strategic Partnership Agreement (SPA) with the City of Pearland (the City) effective July 1, 2002. Pursuant to the SPA, the District will continue to provide water, sewer and drainage services to all properties within its boundaries until annexation subject to certain regionalization requirements. The District has also entered into a Fire Protection Agreement with the City effective September 19, 2002, for fire and emergency medical services in the District.

Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$2,600,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2017

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced \$599,379 to the District for operations, of which \$402,604 has been reimbursed. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Brazoria County Municipal Utility District No. 22
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 611,767	\$ 331,043	\$ 448,357	\$ 1,391,167	\$ -	\$ 1,391,167
Receivables:						
Property taxes	17,303	5,021	-	22,324	-	22,324
Service accounts	91,824	-	-	91,824	-	91,824
Accrued penalty and interest	-	-	-	-	4,284	4,284
Interfund receivable	16,393	-	-	16,393	(16,393)	-
Operating reserve	10,162	-	-	10,162	-	10,162
Prepaid expenditures	6,904	-	-	6,904	-	6,904
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	5,449,857	5,449,857
Construction in progress	-	-	-	-	568,053	568,053
Infrastructure	-	-	-	-	14,351,867	14,351,867
Total assets	\$ 754,353	\$ 336,064	\$ 448,357	\$ 1,538,774	\$ 20,357,668	\$ 21,896,442

Brazoria County Municipal Utility District No. 22
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 135,357	\$ 26	\$ 3,226	\$ 138,609	\$ -	\$ 138,609
Customer deposits	44,255	-	-	44,255	-	44,255
Due to other district	-	-	-	-	2,513,660	2,513,660
Interfund payable	-	16,393	-	16,393	(16,393)	-
Long-term liabilities:						
Due within one year	-	-	-	-	250,000	250,000
Due after one year	-	-	-	-	22,113,599	22,113,599
Total liabilities	<u>179,612</u>	<u>16,419</u>	<u>3,226</u>	<u>199,257</u>	<u>24,860,866</u>	<u>25,060,123</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>17,303</u>	<u>5,021</u>	<u>0</u>	<u>22,324</u>	<u>(22,324)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	6,904	-	-	6,904	(6,904)	-
Restricted:						
Unlimited tax bonds	-	314,624	-	314,624	(314,624)	-
Water, sewer and drainage	-	-	445,131	445,131	(445,131)	-
Assigned, operating reserve	10,162	-	-	10,162	(10,162)	-
Unassigned	<u>540,372</u>	<u>-</u>	<u>-</u>	<u>540,372</u>	<u>(540,372)</u>	<u>-</u>
Total fund balances	<u>557,438</u>	<u>314,624</u>	<u>445,131</u>	<u>1,317,193</u>	<u>(1,317,193)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 754,353</u>	<u>\$ 336,064</u>	<u>\$ 448,357</u>	<u>\$ 1,538,774</u>		
Net position:						
Net investment in capital assets					(3,895,162)	(3,895,162)
Restricted for debt service					155,508	155,508
Restricted for capital projects					1,232	1,232
Unrestricted					<u>574,741</u>	<u>574,741</u>
Total net position					<u>\$ (3,163,681)</u>	<u>\$ (3,163,681)</u>

Brazoria County Municipal Utility District No. 22
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 531,342	\$ 157,243	\$ -	\$ 688,585	\$ 21,320	\$ 709,905
Water service	168,036	-	-	168,036	-	168,036
Sewer service	139,625	-	-	139,625	-	139,625
Regional water fee	1,810	-	-	1,810	-	1,810
Penalty and interest	6,736	3,798	-	10,534	4,284	14,818
Tap connection and inspection fees	286,871	-	-	286,871	-	286,871
Investment income	586	689	1,104	2,379	-	2,379
Other income	23,914	40	-	23,954	-	23,954
Total revenues	1,158,920	161,770	1,104	1,321,794	25,604	1,347,398
Expenditures/Expenses						
Service operations:						
Purchased services	97,471	-	-	97,471	-	97,471
Professional fees	110,833	7	-	110,840	116,753	227,593
Contracted services	149,972	12,410	-	162,382	4,000	166,382
Utilities	9,387	-	-	9,387	-	9,387
Repairs and maintenance	126,773	-	-	126,773	-	126,773
Other expenditures	53,636	2,975	-	56,611	860,531	917,142
Tap connections	124,100	-	-	124,100	-	124,100
Capital outlay	55,541	-	7,400,824	7,456,365	(7,456,365)	-
Depreciation	-	-	-	-	404,910	404,910
Debt service:						
Principal retirement	-	-	2,735,000	2,735,000	(2,735,000)	-
Interest and fees	-	212,642	38,528	251,170	36,781	287,951
Debt issuance costs	39,475	-	318,358	357,833	-	357,833
Total expenditures/expenses	767,188	228,034	10,492,710	11,487,932	(8,768,390)	2,719,542
Excess (Deficiency) of Revenues Over Expenditures						
	391,732	(66,264)	(10,491,606)	(10,166,138)	8,793,994	

Brazoria County Municipal Utility District No. 22
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	\$ 23,661	\$ -	\$ (23,661)	\$ -	\$ -	
Repayment of developer advances	-	-	(294,794)	(294,794)	294,794	
General obligation bonds issued	-	94,272	5,225,728	5,320,000	(5,320,000)	
Discount on debt issued	-	-	(157,478)	(157,478)	157,478	
Bond anticipation note issued	-	-	5,320,000	5,320,000	(5,320,000)	
	<u>23,661</u>	<u>94,272</u>	<u>10,069,795</u>	<u>10,187,728</u>	<u>(10,187,728)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
	415,393	28,008	(421,811)	21,590	(21,590)	
Change in Net Position					(1,372,144)	\$ (1,372,144)
Fund Balances/Net Position						
Beginning of year	<u>142,045</u>	<u>286,616</u>	<u>866,942</u>	<u>1,295,603</u>	<u>-</u>	<u>(1,791,537)</u>
End of year	<u>\$ 557,438</u>	<u>\$ 314,624</u>	<u>\$ 445,131</u>	<u>\$ 1,317,193</u>	<u>\$ 0</u>	<u>\$ (3,163,681)</u>

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

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

Brazoria County Municipal Utility District No. 22 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 18, 2001, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal service.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2017

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2017, include collections during the current period or within 60 days of year-end related to the 2016 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2017, the 2016 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Debt Issuance Costs

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

Long-term Obligations

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

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

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

Net Position/Fund Balance

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 20,369,777
Property tax revenue recognition and the related reduction of deferred inflows of resources, are subject to availability of funds in the fund financial statements.	22,324
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	4,284
Amounts due to other district are not due and payable in the current periods and are not reported in the funds.	(2,513,660)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(22,363,599)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (4,480,874)</u></u>

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

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

Change in fund balances.	\$	21,590
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.		6,070,171
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.		294,794
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		157,478
Governmental funds report proceeds of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(7,905,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statements of activities.		25,604
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(36,781)</u>
Change in net position of governmental activities.	\$	<u>(1,372,144)</u>

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At August 31, 2017, none of the District's bank balances were exposed to custodial credit risk.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

Investments

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

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

At August 31, 2017, the District had no investments.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2017, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 3,913,685	\$ 1,536,172	\$ 5,449,857
Construction in progress	-	568,053	568,053
Total capital assets, non-depreciable	3,913,685	2,104,225	6,017,910
Capital assets, depreciable:			
Water production and distribution facilities	2,614,797	637,349	3,252,146
Wastewater collection and treatment facilities	5,307,908	912,486	6,220,394
Drainage facilities	4,800,084	1,093,632	5,893,716
Total capital assets, depreciable	12,722,789	2,643,467	15,366,256
Less accumulated depreciation:			
Water production and distribution facilities	(178,792)	(96,817)	(275,609)
Wastewater collection and treatment facilities	(275,239)	(176,885)	(452,124)
Drainage facilities	(155,448)	(131,208)	(286,656)
Total accumulated depreciation	(609,479)	(404,910)	(1,014,389)
Total governmental activities, net	\$ 16,026,995	\$ 4,342,782	\$ 20,369,777

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2017, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 4,915,000	\$ 5,320,000	\$ -	\$ 10,235,000	\$ 250,000
Less discounts on bonds	109,720	157,478	5,584	261,614	-
	4,805,280	5,162,522	(5,584)	9,973,386	250,000
Bond anticipation notes	-	5,320,000	2,735,000	2,585,000	-
Due to developer - construction	12,182,772	3,033,227	5,607,561	9,608,438	-
Due to developer - advances	491,569	-	294,794	196,775	-
Total governmental activities long-term liabilities	<u>\$ 17,479,621</u>	<u>\$ 13,515,749</u>	<u>\$ 8,631,771</u>	<u>\$ 22,363,599</u>	<u>\$ 250,000</u>

General Obligation Bonds

	Series 2016	Series 2017
Amounts outstanding, August 31, 2017	\$4,915,000	\$5,320,000
Interest rates	2.00% to 3.75%	2.25% to 4.75%
Maturity dates, serially beginning/ending	September 1, 2018/2041	September 1, 2018/2042
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2024	September 1, 2025

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

Annual Debt Service Requirements

The District paid the amount due September 1 within the current fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2017.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2017

Year	Principal	Interest	Total
2018	\$ 250,000	\$ 347,010	\$ 597,010
2019	260,000	338,435	598,435
2020	270,000	329,522	599,522
2021	285,000	320,272	605,272
2022	295,000	310,445	605,445
2023-2027	1,655,000	1,403,148	3,058,148
2028-2032	2,030,000	1,137,850	3,167,850
2033-2037	2,490,000	770,426	3,260,426
2038-2042	<u>2,700,000</u>	<u>286,950</u>	<u>2,986,950</u>
Total	\$ 10,235,000	\$ 5,244,058	\$ 15,479,058

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

Tax bonds voted	\$ 185,920,000
Tax bonds sold	10,235,000
Refunding bonds voted	185,920,000
Recreational facilities bonds voted	12,320,000
Fire-fighting services bonds voted	1,000,000

Due to Developer

A developer within the District has constructed facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$9,608,438. These amounts have been recorded in the financial statements as long-term liabilities.

Developer Advances

A developer of the District has advanced \$196,775 to the District for operating expenses. The District has agreed to pay the advances, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

Bond Anticipation Notes

On October 18, 2016, the District issued its Series 2016 Bond Anticipation Note (the note) in the amount of \$2,735,000. The note is dated October 25, 2016, bears interest at the rate of 2.50 percent and matures October 24, 2017, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities. During the current year, the District issued bonds and early redeemed the bond anticipation note.

On August 15, 2017, the District issued its Series 2017 Bond Anticipation Note (the note) in the amount of \$2,585,000. The note is dated August 22, 2017, bears interest at the rate of 1.65 percent and matures August 21, 2018, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities.

Note 5: Significant Bond Resolutions and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2017, the District levied an ad valorem debt service tax at the rate of \$0.3200 per \$100 of assessed valuation, which resulted in a tax levy of \$162,264 on the taxable valuation of \$50,707,429 for the 2016 tax year. The interest requirements paid from tax revenues and available resources was \$221,314.
- B. In accordance with the Series 2016 and Series 2017 Bond Resolutions, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$	286,560
Additions:		
Interest appropriated from bond proceeds		94,272
Accrued interest received on bonds at date of sale		8,903
		103,175
Deductions--Appropriation from bond interest paid:		
Series 2016		158,466
Series 2017		62,848
		221,314
Bond interest reserve, end of year	\$	168,421

- C. During the current year, the District transferred \$23,661 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2017

Note 6: Maintenance Taxes

At an election held August 11, 2001, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2017, the District levied an ad valorem maintenance tax at the rate of \$1.0800 per \$100 of assessed valuation, which resulted in a tax levy of \$547,641 on the taxable valuation of \$50,707,429 for the 2016 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (SPA) with the City of Pearland (the City) effective July 1, 2002, and as amended July 1, 2014. The SPA provides for the District to separately contract with the City for fire and emergency medical services in the District. The District will continue to provide water, sewer and drainage services to all properties within its boundaries until annexation subject to certain regionalization requirements. The City is authorized to annex any land developed for commercial purposes within the District for the limited purpose of levying and collecting its sales and use taxes within the area of limited purpose annexation in accordance with applicable law.

Note 8: Fire Protection/Emergency Medical Services Agreement

The District and Brazoria County Municipal Utility District No. 21 (District No. 21) entered into a Fire Protection/Emergency Medical Services Agreement (Fire Agreement) with the City and Pearland Volunteer Fire Department (PVFD) effective September 19, 2002, for an initial term of 30 years, to provide fire protection services to the districts in return for payment of monthly fire protection fees. The districts agree to finance and construct a fire station and related fixed appurtenances within one of the districts.

Note 9: Joint Facilities/Cost Sharing Agreement

The District and District No. 21 entered into a Joint Facilities/Cost Sharing Agreement (Joint Agreement) on March 15, 2010, for the financing and operation of joint water supply, sewage treatment plant and drainage facilities and a fire station to serve the areas within both districts. Operation and maintenance costs will be allocated to each district based on the total number of active connections within each district's boundaries over the total number of active connections within both districts.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2017

The agreement was first amended on August 18, 2015, whereas District No. 21 was allocated an additional 471 ESFCs in the water supply facilities and 481 ESFCs in the wastewater supply facilities. The table below shows each district's current share in the wastewater treatment plant, water plant and remote water well No. 1.

	ESFCs	Percentage
District No. 21	1,846	52.38 %
The District	1,678	47.62
	3,524	100.00 %

The District has deposited \$4,272 in District No. 21's joint water plant fund and \$5,890 in its joint wastewater treatment plant fund as the District's share of an operating reserve. During the current year, the District paid \$39,611 and \$57,860 for its share of water and sewer service expenses, respectively.

Note 10: Risk Management

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

Note 11: Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$2,600,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 12: Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced \$599,379 to the District for operations, of which \$402,604 has been reimbursed. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Required Supplementary Information

Brazoria County Municipal Utility District No. 22
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 620,000	\$ 607,850	\$ 531,342	\$ (76,508)
Water service	155,000	155,000	168,036	13,036
Sewer service	55,000	55,000	139,625	84,625
Surface water conversion	20,000	20,000	1,810	(18,190)
Penalty and interest	-	-	6,736	6,736
Tap connection and inspection fees	229,000	229,000	286,871	57,871
Investment income	100	100	586	486
Other income	-	-	23,914	23,914
Total revenues	1,079,100	1,066,950	1,158,920	91,970
Expenditures				
Service operations:				
Purchased services	70,000	70,000	97,471	(27,471)
Professional fees	105,000	105,000	110,833	(5,833)
Contracted services	103,560	161,022	149,972	11,050
Utilities	12,500	12,500	9,387	3,113
Repairs and maintenance	66,500	66,500	126,773	(60,273)
Other expenditures	117,600	117,600	53,636	63,964
Tap connections	100,000	100,000	124,100	(24,100)
Capital outlay	500,000	250,000	55,541	194,459
Debt issuance costs	-	-	39,475	(39,475)
Total expenditures	1,075,160	882,622	767,188	115,434
Excess of Revenues Over Expenditures	3,940	184,328	391,732	207,404
Other Financing Sources				
Interfund transfers in	-	-	23,661	23,661
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	3,940	184,328	415,393	231,065
Fund Balance, Beginning of Year	142,045	142,045	142,045	-
Fund Balance, End of Year	\$ 145,985	\$ 326,373	\$ 557,438	\$ 231,065

Brazoria County Municipal Utility District No. 22
Notes to Required Supplementary Information
August 31, 2017

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2017.

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

Other Information

Brazoria County Municipal Utility District No. 22
Other Schedules Included Within This Report
August 31, 2017

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [] Schedule of Temporary Investments – Not Applicable
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund – Four Years and
Debt Service Fund – Two Years
- [X] Board Members, Key Personnel and Consultants

Brazoria County Municipal Utility District No. 22

Schedule of Services and Rates

Year Ended August 31, 2017

1. Services provided by the District:

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

2. Retail service providers

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</u>	<u>Usage Levels</u>
Water:	\$ 17.25	5,000	N	\$ 2.70	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.15	20,001 to 50,000
				\$ 3.30	50,001 to 75,000
				\$ 3.60	75,001 to No Limit
Wastewater:	\$ 31.38	5,000	N	\$ 2.25	5,001 to No Limit
Regional water fee:	\$ 0.03	1	N	\$ 0.03	1,001 to No Limit
Fire service:	\$ 14.84	0	Y		

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

Total charges per 10,000 gallons usage (including fees): Water \$ 31.05 Wastewater \$ 42.63

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*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	484	481	x1.0	481
1"	11	11	x2.5	28
1 1/2"	1	1	x5.0	5
2"	11	11	x8.0	88
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	509	506		677
Total wastewater	496	493	x1.0	493

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

Gallons pumped into the system:	60,523
Gallons billed to customers:	60,523
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Brazoria County Municipal Utility District No. 22
Schedule of General Fund Expenditures
Year Ended August 31, 2017

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$ 10,900		
Legal	83,613		
Engineering	16,320		
Financial advisor	-		
	<u> </u>		110,833
Purchased Services for Resale			
Bulk water and wastewater service purchases			97,471
Regional Water Fee			-
Contracted Services			
Bookkeeping	12,525		
Security	57,840		
Other contracted services	22,161		
	<u> </u>		92,526
Utilities			9,387
Repairs and Maintenance			126,773
Administrative Expenditures			
Directors' fees	10,800		
Office supplies	8,840		
Insurance	7,617		
Other administrative expenditures	26,379		
	<u> </u>		53,636
Capital Outlay			
Capitalized assets	-		
Expenditures not capitalized	55,541		
	<u> </u>		55,541
Tap Connection Expenditures			124,100
Solid Waste Disposal			57,446
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			<u>39,475</u>
Total expenditures		<u>\$</u>	<u>767,188</u>

Brazoria County Municipal Utility District No. 22
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2017

	Maintenance Taxes	Debt Service Taxes
	<u> </u>	<u> </u>
Receivable, Beginning of Year	\$ 1,004	\$ 0
2016 Original Tax Levy	545,040	161,493
Additions and corrections	<u>2,601</u>	<u>771</u>
Adjusted tax levy	<u>547,641</u>	<u>162,264</u>
Total to be accounted for	548,645	162,264
Tax collections:		
Current year	(530,695)	(157,243)
Prior years	<u>(647)</u>	<u>-</u>
Receivable, end of year	<u>\$ 17,303</u>	<u>\$ 5,021</u>
Receivable, by Years		
2016	\$ 16,946	\$ 5,021
2015	<u>357</u>	<u>-</u>
Receivable, end of year	<u>\$ 17,303</u>	<u>\$ 5,021</u>

Brazoria County Municipal Utility District No. 22
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Property Valuations				
Land	\$ 21,193,310	\$ 7,340,561	\$ 3,731,231	\$ 495,799
Improvements	49,206,210	13,979,830	12,500,690	-
Personal property	453,060	196,370	198,230	-
Exemptions	<u>(20,145,151)</u>	<u>(15,207,390)</u>	<u>(14,749,561)</u>	<u>-</u>
Total property valuations	<u>\$ 50,707,429</u>	<u>\$ 6,309,371</u>	<u>\$ 1,680,590</u>	<u>\$ 495,799</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3200	\$ -	\$ -	\$ -
Maintenance tax rates*	<u>1.0800</u>	<u>1.4000</u>	<u>1.4000</u>	<u>1.4000</u>
Total tax rates per \$100 valuation	<u>\$ 1.4000</u>	<u>\$ 1.4000</u>	<u>\$ 1.4000</u>	<u>\$ 1.4000</u>
Tax Levy	<u>\$ 709,905</u>	<u>\$ 88,473</u>	<u>\$ 23,528</u>	<u>\$ 6,941</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>100%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on August 11, 2001

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

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years
August 31, 2017

Due During Fiscal Years Ending August 31	Series 2016		
	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 120,000	\$ 158,466	\$ 278,466
2019	125,000	156,066	281,066
2020	130,000	153,566	283,566
2021	140,000	150,966	290,966
2022	145,000	148,026	293,026
2023	150,000	144,619	294,619
2024	155,000	140,719	295,719
2025	165,000	136,379	301,379
2026	170,000	131,594	301,594
2027	175,000	126,494	301,494
2028	185,000	121,244	306,244
2029	195,000	115,463	310,463
2030	200,000	109,125	309,125
2031	210,000	102,525	312,525
2032	220,000	95,437	315,437
2033	230,000	88,012	318,012
2034	235,000	79,962	314,962
2035	245,000	71,738	316,738
2036	260,000	63,163	323,163
2037	270,000	54,063	324,063
2038	280,000	44,274	324,274
2039	290,000	34,125	324,125
2040	305,000	23,250	328,250
2041	315,000	11,813	326,813
Totals	<u>\$ 4,915,000</u>	<u>\$ 2,461,089</u>	<u>\$ 7,376,089</u>

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2017

Due During Fiscal Years Ending August 31	Series 2017		
	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 130,000	\$ 188,544	\$ 318,544
2019	135,000	182,369	317,369
2020	140,000	175,956	315,956
2021	145,000	169,306	314,306
2022	150,000	162,419	312,419
2023	155,000	155,294	310,294
2024	160,000	147,931	307,931
2025	170,000	144,331	314,331
2026	175,000	140,081	315,081
2027	180,000	135,706	315,706
2028	190,000	130,756	320,756
2029	195,000	125,056	320,056
2030	205,000	119,206	324,206
2031	210,000	112,800	322,800
2032	220,000	106,238	326,238
2033	230,000	99,088	329,088
2034	240,000	91,325	331,325
2035	250,000	83,225	333,225
2036	260,000	74,475	334,475
2037	270,000	65,375	335,375
2038	280,000	55,925	335,925
2039	290,000	46,125	336,125
2040	300,000	35,250	335,250
2041	315,000	24,000	339,000
2042	325,000	12,188	337,188
Totals	<u>\$ 5,320,000</u>	<u>\$ 2,782,969</u>	<u>\$ 8,102,969</u>

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2017

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 250,000	\$ 347,010	\$ 597,010
2019	260,000	338,435	598,435
2020	270,000	329,522	599,522
2021	285,000	320,272	605,272
2022	295,000	310,445	605,445
2023	305,000	299,913	604,913
2024	315,000	288,650	603,650
2025	335,000	280,710	615,710
2026	345,000	271,675	616,675
2027	355,000	262,200	617,200
2028	375,000	252,000	627,000
2029	390,000	240,519	630,519
2030	405,000	228,331	633,331
2031	420,000	215,325	635,325
2032	440,000	201,675	641,675
2033	460,000	187,100	647,100
2034	475,000	171,287	646,287
2035	495,000	154,963	649,963
2036	520,000	137,638	657,638
2037	540,000	119,438	659,438
2038	560,000	100,199	660,199
2039	580,000	80,250	660,250
2040	605,000	58,500	663,500
2041	630,000	35,813	665,813
2042	325,000	12,188	337,188
Totals	<u>\$ 10,235,000</u>	<u>\$ 5,244,058</u>	<u>\$ 15,479,058</u>

Brazoria County Municipal Utility District No. 22
Changes in Long-term Bonded Debt
Year Ended August 31, 2017

	Bond Issues		
	Series 2016	Series 2017	Totals
Interest rates	2.00% to 3.75%	2.25% to 4.75%	
Dates interest payable	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2018/2041	September 1, 2018/2042	
Bonds outstanding, beginning of current year	\$ 4,915,000	\$ -	\$ 4,915,000
Bonds sold during the current year	<u>-</u>	<u>5,320,000</u>	<u>5,320,000</u>
Bonds outstanding, end of current year	<u>\$ 4,915,000</u>	<u>\$ 5,320,000</u>	<u>\$ 10,235,000</u>
Interest paid during current year	<u>\$ 158,466</u>	<u>\$ 62,848</u>	<u>\$ 221,314</u>

Paying agent's name and address:

Series 2016 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Series 2017 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Bond authority:	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	<u>\$ 185,920,000</u>	<u>\$ 12,420,000</u>	<u>\$ 185,920,000</u>
Amount issued	<u>\$ 10,235,000</u>	<u>\$ -</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 175,685,000</u>	<u>\$ 12,420,000</u>	<u>\$ 185,920,000</u>

Debt service fund cash and temporary investment balances as of August 31, 2017: \$ 331,043

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 619,162

Brazoria County Municipal Utility District No. 22
Comparative Schedule of Revenues and Expenditures – General Fund
Four Years Ended August 31,

	Amounts			
	2017	2016	2015	2014
General Fund				
Revenues				
Property taxes	\$ 531,342	\$ 87,469	\$ 23,528	\$ 6,941
Water service	168,036	109,771	37,201	-
Sewer service	139,625	60,627	6,977	-
Regional water fee	1,810	1,106	395	-
Penalty and interest	6,736	3,845	478	-
Tap connection and inspection fees	286,871	267,278	165,211	-
Investment income	586	129	53	-
Other income	23,914	29,767	5,666	-
Total revenues	<u>1,158,920</u>	<u>559,992</u>	<u>239,509</u>	<u>6,941</u>
Expenditures				
Service operations:				
Purchased services	97,471	54,152	17,924	-
Professional fees	110,833	106,350	122,062	103,974
Contracted services	149,972	86,747	27,222	9,735
Utilities	9,387	11,176	3,406	15,768
Repairs and maintenance	126,773	73,242	68,663	-
Other expenditures	53,636	34,037	14,905	15,586
Tap connections	124,100	106,200	58,600	-
Capital outlay	55,541	-	-	-
Debt issuance costs	39,475	23,661	-	-
Total expenditures	<u>767,188</u>	<u>495,565</u>	<u>312,782</u>	<u>145,063</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>391,732</u>	<u>64,427</u>	<u>(73,273)</u>	<u>(138,122)</u>
Other Financing Sources				
Interfund transfers in	23,661	-	-	-
Developer advances received	-	-	150,000	137,500
Total other financing sources	<u>23,661</u>	<u>0</u>	<u>150,000</u>	<u>137,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	415,393	64,427	76,727	(622)
Fund Balance, Beginning of Year	<u>142,045</u>	<u>77,618</u>	<u>891</u>	<u>1,513</u>
Fund Balance, End of Year	<u>\$ 557,438</u>	<u>\$ 142,045</u>	<u>\$ 77,618</u>	<u>\$ 891</u>
Total Active Retail Water Connections	<u>506</u>	<u>337</u>	<u>155</u>	<u>0</u>
Total Active Retail Wastewater Connections	<u>493</u>	<u>330</u>	<u>153</u>	<u>0</u>

Percent of Fund Total Revenues

2017	2016	2015	2014
45.9 %	15.6 %	9.8 %	100.0 %
14.5	19.6	15.5	-
12.0	10.9	2.9	-
0.2	0.2	0.2	-
0.6	0.7	0.2	-
24.7	47.7	69.0	-
0.1	0.0	0.0	-
2.0	5.3	2.4	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
8.4	9.6	7.5	-
9.6	19.0	51.0	1,498.0
12.9	14.7	11.4	140.3
0.8	2.0	1.4	227.2
11.0	13.1	28.7	-
4.6	6.1	6.2	224.5
10.7	19.8	24.4	-
4.8	-	-	-
3.4	4.2	-	-
<u>66.2</u>	<u>88.5</u>	<u>130.6</u>	<u>2,090.0</u>
<u>33.8 %</u>	<u>11.5 %</u>	<u>(30.6) %</u>	<u>(1,990.0) %</u>

Brazoria County Municipal Utility District No. 22
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Two Years Ended August 31,

	<u>Amounts</u>		<u>Percent of Fund Total Revenues</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Debt Service Fund				
Revenues				
Property taxes	\$ 157,243	\$ -	97.2 %	- %
Penalty and interest	3,798	-	2.4	-
Investment income	689	93	0.4	100.0
Other income	40	-	0.0	-
	<u>161,770</u>	<u>93</u>	<u>100.0</u>	<u>100.0</u>
Total revenues				
Expenditures				
Current:				
Professional fees	7	-	0.0	-
Contracted services	12,410	-	7.7	-
Other expenditures	2,975	-	1.8	-
Debt service, interest and fees	212,642	30,410	131.5	32,698.9
	<u>228,034</u>	<u>30,410</u>	<u>141.0</u>	<u>32,698.9</u>
Total expenditures				
Deficiency of Revenues Over Expenditures	(66,264)	(30,317)	<u>(41.0) %</u>	<u>(32,598.9) %</u>
Other Financing Sources				
General obligation bonds issued	94,272	316,933		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses				
	28,008	286,616		
Fund Balance, Beginning of Year	<u>286,616</u>	<u>-</u>		
Fund Balance, End of Year	<u>\$ 314,624</u>	<u>286,616</u>		

Brazoria County Municipal Utility District No. 22
Board Members, Key Personnel and Consultants
Year Ended August 31, 2017

Complete District mailing address:	Brazoria County Municipal Utility District No. 22 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027		
District business telephone number:	713.860.6400		
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 17, 2016		
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200		

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Staci L. Posten	Elected 05/14- 05/18	\$ 2,700	\$ 1,906	President
Kay Medlin	Elected 05/16- 05/20	1,800	387	Vice President
Joe White	Elected 05/16- 05/20	1,650	59	Secretary
Katherine Beverick	Elected 05/16- 05/20	1,800	258	Assistant Vice President
Ron Wefelmeyer	Elected 05/14- 05/18	2,850	2,194	Assistant Secretary

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

Brazoria County Municipal Utility District No. 22
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2017

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/21/03	\$ 101,434 180,351	General Counsel Bond Counsel
Assessments of the Southwest	07/19/01	7,067	Tax Assessor/ Collector
BKD, LLP	06/16/15	41,150	Auditor
Brazoria County Appraisal District	Legislative Action	5,923	Appraiser
Environmental Development Partners, LLC	07/16/12	258,908	Operator
LJA Engineering & Surveying, Inc.	07/19/10	80,258	Engineer
Myrtle Cruz, Inc.	07/19/01	23,079	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/21/16		Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated.	02/17/15	135,474	Financial Advisor
Investment Officer			
Mary Jarmon	07/19/01	N/A	Bookkeeper

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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