

OFFICIAL STATEMENT DATED NOVEMBER 8, 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 designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

Ratings: S&P Global Ratings (BAM Insured)....."AA/Stable"

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

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

\$3,250,000
Unlimited Tax Road Bonds
Series 2018

Dated: December 1, 2018

Due: September 1, as shown on inside cover

The \$3,250,000 Brazoria County Municipal Utility District No. 55 Unlimited Tax Road Bonds, Series 2018 (the "Bonds"), are obligations of Brazoria County Municipal Utility District No. 55 (the "District") and are not obligations of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; nor any entity other than the District is pledged to the payment of the principal of or the 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 December 1, 2018, and is payable March 1, 2019, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds 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."

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**



The Bonds are the third series of bonds to be issued by the District out of an aggregate \$38,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and for the refunding of such bonds. Following issuance of the Bonds, \$29,195,000 principal amount of unlimited tax bonds for the Road System and for the refunding of such bonds, \$101,785,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

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. See "THE BONDS – Source of Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any entity other than the District. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser (herein defined), 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 December 6, 2018.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$3,250,000 Unlimited Tax Road Bonds, Series 2018

\$1,365,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10608M (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10608M (b)
2020	\$ 80,000	6.000%	2.350%	EB8	2027 (c)	\$ 105,000	3.500%	3.600%	EJ1
2021	80,000	6.000%	2.500%	EC6	2028 (c)	110,000	3.500%	3.700%	EK8
2022	85,000	6.000%	2.650%	ED4	2029 (c)	115,000	3.500%	3.800%	EL6
2023	90,000	6.000%	2.800%	EE2	2030 (c)	120,000	3.750%	3.900%	EM4
2024 (c)	95,000	6.000%	2.830%	EF9	-	-	-	-	-
2025 (c)	100,000	6.000%	2.860%	EG7	2033 (c)	140,000	4.000%	4.050%	EQ5
2026 (c)	100,000	5.000%	3.000%	EH5	2034 (c)	145,000	4.000%	4.100%	ER3

\$1,885,000 Term Bonds

\$255,000 Term Bond Due September 1, 2032 (c)(d), Interest Rate: 3.750% (Price: \$97.372) (a), CUSIP No. 10608M EP7 (b)
 \$310,000 Term Bond Due September 1, 2036 (c)(d), Interest Rate: 4.000% (Price: \$98.124) (a), CUSIP No. 10608M ET9 (b)
 \$335,000 Term Bond Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price: \$97.329) (a), CUSIP No. 10608M EV4 (b)
 \$370,000 Term Bond Due September 1, 2040 (c)(d), Interest Rate: 4.125% (Price: \$98.232) (a), CUSIP No. 10608M EX0 (b)
 \$615,000 Term Bond Due September 1, 2043 (c)(d), Interest Rate: 4.125% (Price: \$97.345) (a), CUSIP No. 10608M FA9 (b)

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- (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, audits, 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.

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

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

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

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 any purpose.

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 55 (the "District") of its \$3,250,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 3, 2009.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except otherwise stated 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 97.00% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.305021%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. Other than as described in the Official Notice of Sale, 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.

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, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy attached as "APPENDIX B" to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2018, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$524 million, \$104.1 million and \$419.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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

MUNICIPAL BOND RATING

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

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

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OFFICIAL STATEMENT SUMMARY

The following material is 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 this entire Official Statement and of the documents summarized or described herein.

THE BONDS

- The District Brazoria County Municipal Utility District No. 55 (the "District"), a political subdivision of the State of Texas, is located in Brazoria County, Texas. See "THE DISTRICT."
- The Bonds The District's \$3,250,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds"), are dated December 1, 2018, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof.
- Interest on the Bonds accrues from December 1, 2018, at the rates set forth on the inside cover page hereof and is payable March 1, 2019, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
- Redemption The Bonds that mature 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 that mature on September 1 in each of the years 2032, 2036, 2038, 2040 and 2043 are term bonds (the "Term Bonds") and are also 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 (herein 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."
- Authority for Issuance The Bonds are the third series of bonds to be issued by the District out of an aggregate \$38,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and for the refunding of such bonds. Following issuance of the Bonds, \$29,195,000 principal amount of unlimited tax bonds for the Road System and for the refunding of such bonds, \$101,785,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds will remain authorized but unissued.
- The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of

Directors of the District; and an election held within the boundaries of the District on November 3, 2009.

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 State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any entity other than the District. See "THE BONDS – Source of Payment." The District is authorized to levy separate taxes to pay debt service on bonds issued for the Road System and to pay debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount.
Outstanding Bonds.....	The District has previously issued two series of unlimited tax road bonds in par amount of \$5,755,000 and two series of unlimited tax utility bonds in the par amount of \$8,575,000. As of November 1, 2018, \$5,690,000 principal amount of the previously issued unlimited tax road bonds (the "Outstanding Road Bonds") and all \$8,575,000 principal amount of the unlimited tax utility bonds (the "Outstanding Utility Bonds") remain outstanding (collectively, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds," and "THE BONDS – Authority for Issuance."
Payment Record	The District has never defaulted on the timely payment of debt service on its bonded indebtedness.
Use of Proceeds of the Bonds.....	Proceeds of the sale of the Bonds will be used by the District to (i) finance road construction and related land costs; (ii) pay engineering fees related to item (i); (iii) pay interest on funds advanced on the District's behalf by the Developer (hereinafter defined); (iv) pay eighteen (18) months of capitalized interest; and (v) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Attorney General of Texas and other costs related to the issuance of the Bonds. See "THE BONDS – Use and Distribution of Proceeds of the Bonds."
Qualified Tax-Exempt Obligations.....	The District designated the Bonds "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Municipal Bond Insurance.....	Build America Mutual Assurance Company. See "MUNICIPAL BOND INSURANCE."
Rating.....	S&P Global Ratings (BAM Insured): "AA/Stable." See "MUNICIPAL BOND RATING."
Bond Counsel.....	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description.....	The District is a political subdivision of the State of Texas, located approximately 22 miles south of the central business district of Houston, Texas. The District lies entirely within the corporate limits of the City of Iowa Colony, Texas. The District is a municipal utility district created by an order of the Texas Commission on Environmental Quality (the "TCEQ") effective August 16, 2007. 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 928.43 acres. See "THE DISTRICT."
Development within the District.....	The District is one of three municipal utility districts that make up the approximately 3,000-acre master-planned community known as Meridiana. To date, approximately 248.89 acres within the District have been developed as the residential subdivision of Meridiana, Phase 1, Sections 1-7, 64, 66, 69, 70, 71, 74 and 75 (805 lots). In addition,

approximately 12.40 acres have been developed as Meridiana Elementary School.

As of October 1, 2018, the District was composed of 403 completed homes, 85 homes under construction and approximately 317 vacant developed lots. Of the 488 homes completed and under construction as of October 1, 2018, 427 homes were sold to homeowners within the District. The remaining land within the District consists of approximately 294.95 undeveloped but developable acres and approximately 372.19 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 Rise Communities, LLC. See "PRINCIPAL LANDOWNER/DEVELOPER," and "DEVELOPMENT OF THE DISTRICT."

Homebuilders Within the DistrictHomebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Plantation Homes, CalAtlantic Homes, Shea Homes, Taylor Morrison, and Trendmaker Homes. Prices of new homes being constructed in the District range from the \$200,000s – \$500,000s. See "DEVELOPMENT OF THE DISTRICT – Homebuilders Within the District."

Hurricane HarveyThe 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. The District is located approximately 30 miles from the Texas Gulf Coast. According to the District's engineer, the District did not experience any street flooding and no homes had water damage from flooding.

RISK FACTORS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS 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 RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2018 Assessed Taxable Valuation	\$ 99,076,668	(a)
Estimated Taxable Valuation as of October 1, 2018	\$ 164,991,310	(b)
Direct Debt:		
The Outstanding Bonds (as of November 1, 2018)	\$ 14,265,000	
The Bonds.....	\$ 3,250,000	
Total	\$ 17,515,000	
Estimated Overlapping Debt	\$ 8,555,916	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 26,070,916	(c)
Direct Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation	17.68	%
As a percentage of Estimated Taxable Valuation as of October 1, 2018	10.62	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation	26.31	%
As a percentage of Estimated Taxable Valuation as of October 1, 2018	15.80	%
Road System Debt Service Fund Balance (as of November 8, 2018).....	\$ 108,962	(d)
Utility System Debt Service Fund Balance (as of November 8, 2018).....	\$ 400,704	(e)
Road System Capital Projects Fund (as of November 8, 2018).....	\$ 0	
Utility System Capital Projects Fund (as of November 8, 2018).....	\$ 658,076	
General Fund Balance (as of November 8, 2018).....	\$ 1,692,361	

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- (a) As of January 1, 2018, all property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). Does not include \$620,970 of uncertified value as provided by the Appraisal District. See "TAXING PROCEDURES."
- (b) As of October 1, 2018, provided by the Appraisal District for information purposes only. Represents new construction within the District as of October 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) In addition, upon closing and delivery of the Bonds, eighteen months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility Bonds (herein defined).
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on the Bonds or the Outstanding Road Bonds (herein defined).

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2018 Tax Rate per \$100 of Assessed Taxable Valuation		
System Debt Service	\$	0.3450 (a)
Road Debt Service.....		0.3700 (a)
Maintenance		<u>0.1700</u>
Total	\$	0.8850
Average Annual Debt Service Requirement (2019-2043).....		
	\$	1,083,752 (b)
Maximum Annual Debt Service Requirement (2037).....		
	\$	1,137,838 (b)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay		
Average Annual Debt Service Requirement (2019-2043) at 95% Tax Collections:		
Based on the 2018 Assessed Taxable Valuation	\$	1.16
Based on the Estimated Taxable Valuation as of October 1, 2018.....	\$	0.70
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2037) at 95% Tax Collections:		
Based on the 2018 Assessed Taxable Valuation	\$	1.21
Based on the Estimated Taxable Valuation as of October 1, 2018.....	\$	0.73
Single-Family Homes (including 85 under construction) as of October 1, 2018.....		488 (c)

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- (a) The District is authorized to levy separate taxes to pay debt service on bonds issued for the Road System and to pay debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount.
 - (b) Debt service requirements on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirement Schedule."
 - (c) Of the 488 homes completed and under construction as of October 1, 2018, 427 homes were sold to homeowners within the District.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

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

**\$3,250,000
Unlimited Tax Road Bonds
Series 2018**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 55 (the "District") of its \$3,250,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 3, 2009.

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.

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.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas (the "City"), 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."

Effects of 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. The District is located in Brazoria County, which is located on the Texas Gulf Coast.

None of the structures in the District and none of the District's facilities sustained any significant damage as a result of Hurricane Harvey. The District cannot predict what impact Hurricane Harvey will ultimately have on the assessed value of land and improvements within the District. However, Hurricane Harvey may have a short-term impact on the Gulf Coast's economy and could have a long term impact on business activity and development in the District and the region.

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.

Certain qualified tax payers, 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 tax payer 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.

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 landowners/developers 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 LANDOWNERS/DEVELOPERS" and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2018 owned property located within the District the aggregate assessed valuation of which comprised approximately 17.05% of the District's total 2018 Certified Assessed Valuation. GR-M1 LTD (the "Developer"), the District's top taxpayer, owns approximately 4.20% of the District's 2018 taxable value. In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

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 is \$99,076,668, and the Estimated Taxable Valuation as of October 1, 2018, is \$164,991,310. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (hereinafter defined) and the Bonds will be \$1,137,838 (2037) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,083,752 (2019–2043). Assuming no increase to nor decrease from the 2018 Assessed Taxable Valuation, tax rates of \$1.21 and \$1.16 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 requirement, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of October 1, 2018, tax rates of \$0.73 and \$0.70 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 requirement, 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 \$0.170 per \$100 of assessed valuation, a water, sewer & drainage debt service tax rate of \$0.345 per \$100 of assessed valuation and a road debt service tax of \$0.370 per \$100 of assessed valuation.

Competitive Nature of Residential Housing Market

The housing industry in the Houston area is very competitive, but 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 homebuilder(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 a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection

procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. 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 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 of 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."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$29,195,000 unlimited tax bonds authorized but unissued for roads and the refunding of such bonds; \$101,785,000 in unlimited tax bonds authorized but unissued for water, sewer and drainage and the refunding of such bonds; and \$41,170,000 in unlimited tax bonds authorized but unissued for park facilities and the refunding of such bonds, and such additional bonds as may hereafter be approved by the voters of the District. See "THE BONDS - Issuance of Additional Debt." The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution authorized by the voters of the District, which may be issued by the District from time to time as needed. Issuance of the \$101,785,000 remaining unlimited tax bonds for waterworks, wastewater and drainage facilities, as well as the \$41,170,000 remaining unlimited tax bonds for park facilities, is subject to approval by the Texas Commission on Environmental Quality (the "TCEQ").

At the end of fiscal year 2018, the District owed the Developer approximately \$35,562,541 for expenditures for the construction of water, sewer and drainage facilities; the road system; and park and recreational facilities serving the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

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 Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (“the 1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (“the 2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (“the 2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ’s “redesignation substitute” for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB area 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. These SIP requirements 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. It is possible that

additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards 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 more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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. The TCEQ has published notice of a proposed renewal of the Phase II (Small) MS4 Permit that is intended to be issued prior to the December 12, 2018 expiration date of the current MS4 Permit.

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States."

Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. If the CWR is not rescinded and is ultimately upheld and goes into effect, 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 the expanded scope of jurisdictional “waters of the United States” under the CWR.

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.

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 wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. 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.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Utility System Bonds have been approved, subject to certain conditions by TECQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The issuance of road bonds does not require TCEQ approval. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their deliver.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the safety of the Bonds as an investment, nor have such authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

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 District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market

price of the Bonds or the marketability (liquidity) for the Bonds. See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATING.”

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 have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of 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 December 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 bonds maturing on September 1 of the years shown under “PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page 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 is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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 Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

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.

Mandatory Redemption

Bonds maturing on September 1 in the years 2032, 2036, 2038, 2040 and 2043 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:

<u>\$255,000 Term Bonds Maturing on September 1, 2032</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2031	\$125,000
September 1, 2032 (maturity)	130,000
 <u>\$310,000 Term Bonds Maturing on September 1, 2036</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$150,000
September 1, 2036 (maturity)	160,000

\$335,000 Term Bonds Maturing on September 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$165,000
September 1, 2038 (maturity)	170,000

\$370,000 Term Bonds Maturing on September 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2039	\$180,000
September 1, 2040 (maturity)	190,000

\$615,000 Term Bonds Maturing on September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$195,000
September 1, 2042	205,000
September 1, 2043 (maturity)	215,000

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.

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 are the third series of bonds to be issued by the District out of an aggregate \$38,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and for the refunding of such bonds. Voters of the district have authorized the District's issuance of a total \$110,360,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for refunding of such bonds. To date, the District has issued no bonds from such authorization for recreational facilities.

After issuance of the Bonds, the following will remain authorized but unissued: \$29,195,000 principal amount of unlimited tax bonds for the Road System and the refunding of such bonds; \$101,785,000 principal amount of unlimited tax bonds for the Utility System and for the refunding of such bonds; and \$41,170,000 principal amount of unlimited tax bonds for parks and recreational facilities and for the refunding of such bonds.

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; the Bond Resolution adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 3, 2009.

Outstanding Bonds

The District has previously issued two series of unlimited tax road bonds in par amount of \$5,755,000 and two series of unlimited tax utility bonds in the par amount of \$8,575,000. As of November 1, 2018, \$5,690,000 principal amount of the previously issued unlimited tax road bonds (the "Outstanding Road Bonds") and all \$8,575,000 principal amount of the unlimited tax utility bonds (the "Outstanding Utility Bonds") remain outstanding (collectively, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds," and "THE BONDS – Authority for Issuance."

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 \$38,200,000 unlimited tax bonds for roads and the refunding of such bonds and could authorize additional amounts. The District's voters have also authorized \$110,360,000 unlimited tax bonds for water, wastewater and storm drainage facilities and the refunding of such bonds as well as \$41,170,000 unlimited tax bonds for parks and recreational facilities and the refunding of such bonds. The Bonds are the third series of bonds issued out of an aggregate of \$38,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing roads to serve the District. Following the issuance of the Bonds, \$29,195,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system and the refunding of such bonds, \$101,785,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and storm water drainage facilities and the refunding of such bonds and \$41,170,000 principal amount of unlimited tax bonds for parks and recreational improvements and the refunding of such bonds 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).

At the end of fiscal year 2018, the District owed the Developer approximately \$35,562,541 for expenditures for the construction of water, sewer and drainage facilities; the road system; and park and recreational facilities serving the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting 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 neither a fire plan nor 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 November 3, 2009, the District's voters authorized \$41,170,000 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 parks 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.

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, fees of the Paying Agent/Registrar and fees of appraisal districts. 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. Funds in the Utility System Debt Service Fund are not available to pay debt service on the Outstanding Road Bonds, and funds in the Road System Debt Service fund are not available to pay debt service on the Bonds or the Outstanding Utility Bonds. The District is authorized to levy separate taxes to pay debt service on bonds issued for the Utility System and to pay debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount.

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

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.

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Use and Distribution of Proceeds of the Bonds

Proceeds of the sale of the Bonds will be used by the District to (i) finance road construction and related land costs; (ii) pay engineering fees related to item (i); (iii) pay interest on funds advanced on the District’s behalf by the Developer (hereinafter defined); (iv) pay eighteen (18) months of capitalized interest; and (v) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Attorney General of Texas and other costs related to the issuance of the Bonds.

The following construction costs were compiled by the District’s Engineer (hereinafter defined). 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, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

	<u>District’s Share</u>
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Meridiana Parkway, Phase One & Discovery Drive, Section Two	
a. Excavation and Paving	\$ 1,444,268
b. Storm Water Pollution Prevention Plan	1,341
c. Construction Staking	3,353
d. Post Topographic Verification, As-Builts	3,353
e. Construction Permits	10,096
2. Discovery Drive South, Phase Two	
a. Site Preparation	\$ 5,590
b. Excavation and Paving	249,596
c. Storm Water Pollution Prevention Plan	833
d. Construction Staking	4,995
e. Post Topographic Verification, As-Builts	3,885
f. Construction Permits	3,330
3. Engineering	
a. Discovery Drive South, Phase Two	\$ 25,232
b. Iowa Colony Boulevard, Phase Two	129,357
4. Geotechnical Report	
a. Meridiana Development	\$ 8,750
5. Land Acquisition	
a. Discovery Drive South, Phase Two	\$ 55,922
a.1. Carrying Costs	31,047
a.2. Taxes	2,500
b. Iowa Colony Blvd, Phase Two	321,241
b.1. Carrying Costs	156,565
b.2. Taxes	<u>22,000</u>
TOTAL CONSTRUCTION COSTS	<u>\$ 2,483,254</u>

(Continued on next page)

NONCONSTRUCTION COSTS

A. Legal Fees	\$ 96,250
B. Fiscal Agent Fees	65,000
C. Engineering Bond Issue Fees	47,625
D. Interest	
1. Capitalized Interest (18 months)	210,366
2. Developer Interest	200,865
E. Bond Discount	97,500
F. Bond Issuance Expense	36,881
G. Attorney General Fee	3,250
H. Contingency (a)	<u>9,009</u>
TOTAL NONCONSTRUCTION COSTS	766,746

TOTAL BOND ISSUE REQUIREMENT **\$ 3,250,000**

(a) Represents the difference between the estimated and actual amount of capitalized interest on the Bonds. Funds can be used for purposes allowed and approved by the TCEQ.

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. 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 August 16, 2007, and by a confirmation election held within the District on November 6, 2007, and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 54, Texas Water Code, as amended.

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 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 571.555 acres. The District has since annexed 356.874 acres, and thus the total acreage of the District is now 928.43 acres. The District is located wholly within Brazoria County, Texas, approximately 22 miles south of the Central Business District of the City of Houston, Texas. The District lies approximately 3.5 miles southwest of the intersection of State Highway 6 and Highway 288. The District is located within the corporate city limits of the City.

Management of the District

The District is governed by its 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 property in the District. The directors serve staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Houston Hamilton	President	2020
Kristina Jones	Vice President	2022
Roy Bergman	Secretary	2022
Melissa Lacy	Assistant Secretary	2020
Cathy Verret	Assistant Vice President	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.

Utility System Operator: The District's water and sewer system is operated by SI Environmental LLC ("SI").

Auditor: The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended March 31, 2018. McGrath & Co., PLLC was not requested to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2018, financial statements.

Engineer: The District's engineer is Edminster, Hinshaw, Russ and Associates, 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."

Disclosure Counsel: The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as disclosure counsel ("Disclosure Counsel") to the District in connection with the issuance of the Bonds. The fees to be paid Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as financial advisor ("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.

SHARED FINANCING AGREEMENT

On February 15, 2011, the District entered into a Shared Financing Agreement (the "Agreement") with the City, Reinvestment Zone Number Two, City of Iowa Colony, Texas (the "TIRZ") and Iowa Colony Development Authority (the "Authority") for the purpose of constructing TIRZ Projects (as defined in the Agreement), which include various public works and improvements.

The Authority and the District agree to assist the City and the TIRZ in the implementation of the TIRZ Projects and in the funding, ownership, operation and maintenance of the TIRZ Projects. The District will act as Project Manager for the TIRZ Projects set out in the Agreement, and will give written notice to the Authority's Board of Directors before initiating the design or construction of a TIRZ Project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement.

For any year in which the City collects or receives tax increment, the City will pay such tax increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from tax increment by the Authority ("TIRZ Share") to the District is the percentage of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date upon the District's issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ Plan (as defined in the Agreement) or the date that the Developer has been repaid in full for all eligible project costs.

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DEVELOPMENT OF THE DISTRICT

Approximately 248.89 acres (805 lots) within the District have been developed into the single-family subdivisions Meridiana, Phase 1, Sections 1–7, 64, 66, 69, 70, 71, 74 and 75. In addition, 12.40 acres have been developed as Meridiana Elementary School.

As of October 1, 2018, there were 403 completed homes, 85 homes under construction and 317 vacant developed lots. Of the 488 homes completed and under construction as of October 1, 2018, 427 homes were sold to homeowners within the District. The remaining land within the District consists of approximately 294.95 undeveloped but developable acres and approximately 372.19 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 October 1, 2018:

<u>Development Area (a)</u>	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Remaining Vacant Developed Lots</u>
Meridiana, Phase 1					
Section 1	21.84	66	52	10	4
Section 2	15.31	32	24	5	3
Section 3	21.56	40	-	-	40
Section 4	26.90	97	80	6	11
Section 5	18.65	44	42	-	2
Section 6	21.06	89	88	-	1
Section 7	23.78	84	57	12	15
Section 64	13.29	42	3	12	27
Section 66	20.97	58	-	-	58
Section 69	12.68	48	16	12	20
Section 70	22.50	59	13	7	39
Section 71	14.56	52	11	10	31
Section 74	8.23	53	-	-	53
Section 75	<u>7.56</u>	<u>41</u>	<u>17</u>	<u>11</u>	<u>13</u>
	248.89	805	403	85	317
School Acreage	12.40				
Undeveloped but Developable Acreage	294.95				
Undevelopable Acreage	372.19				
Total	<u>928.43</u>				

Homebuilders within the District

Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Plantation Homes, CalAtlantic Homes, Shea Homes, Taylor Morrison, and Trendmaker Homes. Prices of new homes being constructed in the District range from the \$200,000s–\$500,000s.

PRINCIPAL LANDOWNERS/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.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Principal Landowner/Developer

GR-M1 LTD was formed for the purpose of acquiring and holding for investment and sale tracts of land, including the land in the District. The Developer has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer and road facilities within the District. GR-M1 LTD plans to use equity contributions to fund the development of Meridiana.

Rise Communities LLC is a developer and manager of master-planned, large-scale communities. In addition to developing Meridiana, Rise Communities LLC is also developing Cane Island, an 1,100-acre master-planned community located in the City of Katy, Texas.

THE ROAD SYSTEM

The road system serves residents of the District by providing access to the major thoroughfares and collectors within the Meridiana development and surrounding area. The major thoroughfares and collectors serving the District include Meridiana Parkway, Discovery Drive and Iowa Colony Boulevard. Discovery Drive and Iowa Colony Boulevard act as collectors by conveying residents of the District to the major thoroughfare of Meridiana Parkway which connects to the State Highway 288 to the west. The District will finance, design and construct the road system in phases as development progresses. The road system will ultimately be owned, operated and maintained by the City as the phases are constructed and accepted by the City. The District does not intend to maintain or operate the roads once they are accepted by the City.

THE UTILITY SYSTEM

Regulation

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

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the 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.

Water, Sanitary Sewer and Drainage System

Water Supply: The District owns one water plant. Phase One of the Water Plant consists of a 1,600 gallon-per minute ("gpm") well, 30,000 gallons of hydropneumatic tank capacity, a 520,000 gallon ground storage tank and 1,750 gpm of booster pump capacity. According to EHRA, the District's engineer (the "Engineer"), phase one of the water plant is capable of serving 1,300 equivalent single family connections ("esfc") in the District.

The Ultimate Phase of the Water Plant consists of the addition of 30,000 gallons of hydropneumatic tank capacity and 2,850 gpm of booster pump capacity. According to EHRA, the District's engineer (the "Engineer"), the ultimate phase of the water plant is capable of serving 2,600 equivalent single family connections ("esfc") in the District.

Wastewater Treatment: The District owns and operates a 160,000 gallon-per day (“gpd”) wastewater treatment facility. According to the Engineer, phase one of the facility is adequate to serve 355 esfc.

The District plans to ultimately expand the plant to a 980,000 gallon-per day (“gpd”) wastewater treatment facility. According to the Engineer, the ultimate phase of the facility will be adequate to serve 3,266 esfc.

100 Year Flood Plain

According to the FEMA Map Panel No. 48039 C0110H and FEMA Map Panel No. 48039 C0120H dated June 5, 1989, approximately 300 acres within the District are located in the 100-year flood plain and are not considered to be developable. Approximately 150 acres of flood plain will be filled in connection with future development, and a Letter of Map Revision will be filed to remove it from the flood plain.

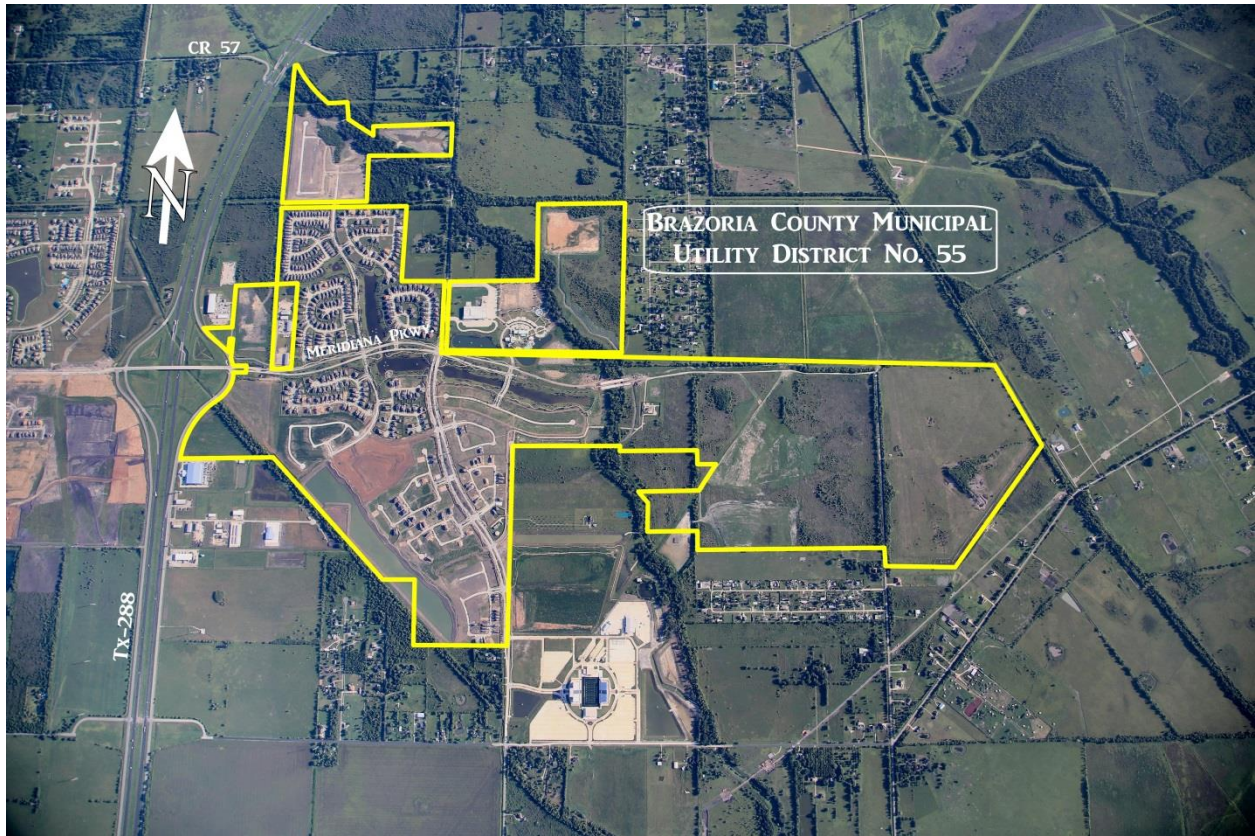
General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District’s System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District’s audited financial statements. Reference is made to such statement for further and more complete information. See “APPENDIX A.”

	<u>3/31/2018</u>	<u>03/31/17</u>	<u>03/31/16</u>
REVENUES			
Water Service	\$ 139,407	\$ 100,347	\$ 690
Sewer Service	103,788	58,652	657
Property Taxes	148,512	183,817	6,763
Penalties and Interest	4,638	2,247	16
Groundwater Pumpage Fees	1,136	542	0
Tap Connection and Inspection	278,910	319,615	43,070
Miscellaneous	16,817	2,430	790
Investment Earnings	<u>2,230</u>	<u>177</u>	<u>144</u>
TOTAL REVENUES	<u>\$ 695,438</u>	<u>\$ 667,827</u>	<u>\$ 52,130</u>
EXPENDITURES			
Professional Fees	\$ 183,101	\$ 142,210	\$ 138,681
Contracted Services	210,136	239,709	10,581
Repairs and Maintenance	127,114	125,228	11,038
Lease	158,444	132,120	39,936
Utilities	43,013	44,055	0
Groundwater Pumpage Fees	710	1,225	97
Administrative	48,114	36,807	10,533
Other	7,825	1,716	1,724
Capital outlay	<u>0</u>	<u>74,200</u>	<u>217,000</u>
TOTAL EXPENDITURES	<u>\$ 778,457</u>	<u>\$ 797,270</u>	<u>\$ 429,590</u>
Excess Revenues (Expenditures)	\$ (83,019)	\$ (129,443)	\$ (377,460)
Developer Advances	\$ 0	\$ 0	\$ 326,624
Internal Transfers	237,816	0	0
Tax Exempt Impact Fee	1,330,989 (a)	0	0
Capital Contribution	<u>0</u>	<u>0</u>	<u>353,435</u>
Net Change in Fund Balance	\$ 1,485,786	\$ (129,443)	\$ 302,599
Balance, Beg of Year	<u>\$ 131,417</u>	<u>\$ 260,860</u>	<u>\$ (41,739)</u>
Balance, End of Year	<u>\$ 1,617,203</u>	<u>\$ 131,417</u>	<u>\$ 260,860</u>

(a) Tax exempt impact fees received from Alvin Independent School District based on its pro rata share of existing District facilities intended to serve Alvin Independent School District’s stadium site and bus barn.

AERIAL PHOTOGRAPH OF THE DISTRICT
(July 2018)



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



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(July 2018)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Calendar Year	Outstanding Debt Service (a)	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2019	\$ 898,846	\$ -	\$ 105,183	\$ 105,183	\$ 1,004,029
2020	891,671	80,000	140,244	220,244	1,111,915
2021	894,396	80,000	135,444	215,444	1,109,840
2022	896,614	85,000	130,644	215,644	1,112,258
2023	892,101	90,000	125,544	215,544	1,107,645
2024	892,079	95,000	120,144	215,144	1,107,223
2025	897,839	100,000	114,444	214,444	1,112,283
2026	903,654	100,000	108,444	208,444	1,112,098
2027	903,679	105,000	103,444	208,444	1,112,123
2028	907,710	110,000	99,769	209,769	1,117,479
2029	910,758	115,000	95,919	210,919	1,121,677
2030	907,539	120,000	91,894	211,894	1,119,433
2031	908,576	125,000	87,394	212,394	1,120,970
2032	913,256	130,000	82,706	212,706	1,125,962
2033	911,556	140,000	77,831	217,831	1,129,387
2034	913,950	145,000	72,231	217,231	1,131,181
2035	914,950	150,000	66,431	216,431	1,131,381
2036	914,844	160,000	60,431	220,431	1,135,275
2037	918,806	165,000	54,031	219,031	1,137,837
2038	911,075	170,000	47,431	217,431	1,128,506
2039	911,700	180,000	40,631	220,631	1,132,331
2040	911,119	190,000	33,206	223,206	1,134,325
2041	908,969	195,000	25,369	220,369	1,129,338
2042	750,425	205,000	17,325	222,325	972,750
2043	212,688	215,000	8,869	223,869	436,557
Total	\$ 21,798,800	\$ 3,250,000	\$ 2,045,003	\$ 5,295,003	\$ 27,093,803

(a) Outstanding debt as of November 1, 2018.

Average Annual Debt Service Requirement (2019–2043)	\$ 1,083,752
Maximum Annual Debt Service Requirement (2037)	\$ 1,137,838

Bonded Indebtedness

2018 Assessed Taxable Valuation	\$ 99,076,668	(a)
Estimated Taxable Valuation as of October 1, 2018	\$ 164,991,310	(b)
Direct Debt:		
The Outstanding Bonds (as of November 1, 2018)	\$ 14,265,000	
The Bonds	\$ 3,250,000	
Total	\$ 17,515,000	
Estimated Overlapping Debt	\$ 8,555,916	(c)
Total Direct and Estimated Overlapping Debt	\$ 26,070,916	(c)
Direct Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation	17.68	%
As a percentage of Estimated Taxable Valuation as of October 1, 2018	10.62	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation	26.31	%
As a percentage of Estimated Taxable Valuation as of October 1, 2018	15.80	%
Road System Debt Service Fund Balance (as of November 8, 2018)	\$ 108,962	(d)
Utility System Debt Service Fund Balance (as of November 8, 2018)	\$ 400,704	(e)
Road System Capital Projects Fund (as of November 8, 2018)	\$ 0	
Utility System Capital Projects Fund (as of November 8, 2018)	\$ 658,076	
General Fund Balance (as of November 8, 2018)	\$ 1,692,361	

-
- (a) As of January 1, 2018, all property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). Does not include \$620,970 of uncertified value as provided by the Appraisal District. See "TAXING PROCEDURES."
 - (b) As of October 1, 2018, provided by the Appraisal District for information purposes only. Represents new construction within the District as of October 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) In addition, upon closing and delivery of the Bonds, eighteen months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility Bonds.
 - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on the Bonds or the Outstanding Road 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 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	0.34%	\$ 255,773
Alvin Independent School District	\$ 668,510,000	1.19%	7,979,088
Alvin Community College District	\$ 32,520,000	0.99%	<u>321,055</u>
Total Estimated Overlapping Debt			<u>\$ 8,555,916</u>
The District			<u>\$ 17,515,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$ 26,070,916(a)</u>

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

	Percentage of 2018 Assessed Taxable Valuation	Percentage of Estimate of Value October 1, 2018
Direct Debt (a)	17.68%	10.62%
Total Direct and Estimated Overlapping Debt (a)	26.31%	15.80%

(a) Includes the Bonds and the Outstanding 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 Bonds and any additional road bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS - Future Debt"), and to pay the expenses of assessing and collecting such taxes. The Board is also 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 any water and sewer system bonds payable from taxes which the District may hereafter issue, 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 Utility 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 (the "Appraisal District") has the responsibility of appraising property for all taxing units within Brazoria County, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board (the

“Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, 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; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, 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 for the full value of the veteran’s residence 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply 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 entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a 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 may designate all or part of the area within the District as a reinvestment zone. Thereafter, Brazoria County, the City 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 has 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 District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the 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 District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a 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 District 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 and the Outstanding 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 "RISK FACTORS"). In 2018, the District levied a maintenance tax of \$0.170 per \$100 of assessed valuation, a water, sewer & drainage debt service tax rate of \$0.345 per \$100 of assessed valuation and a road debt service tax of \$0.370 per \$100 of assessed valuation.

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 of the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2018 Assessed Taxable Valuation (\$99,076,668) or the Estimated Taxable Valuation as of October 1, 2018 (\$164,991,310). 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 Requirement (2019-2043)	\$ 1,083,752
Combined Debt Service Tax Rate of \$1.16 on the 2018 Assessed Taxable Valuation	\$ 1,091,825
Combined Debt Service Tax Rate of \$0.70 on the Estimated Taxable Valuation as of October 1, 2018	\$ 1,097,192
Maximum Annual Debt Service Requirement (2037)	\$ 1,137,838
Combined Debt Service Tax Rate of \$1.21 on the 2018 Assessed Taxable Valuation	\$ 1,138,886
Combined Debt Service Tax Rate of \$0.73 on the Estimated Taxable Valuation as of October 1, 2018	\$ 1,144,215

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

<u>Taxing Jurisdictions</u>	<u>2017 Tax Rate Per \$100 of A.V.</u>
The District	\$0.885000
City of Iowa Colony	0.429500
Brazoria County Drainage District No. 5	0.150131
Brazoria County Emergency Services District No. 3	0.100000
Brazoria County (a)	0.440234
Alvin Community College	0.180750
Port Freeport	0.040100
Alvin Independent School District	<u>1.450000</u>
Total Tax Rate	<u>\$3.675715</u>

(a) Includes Road & Bridge Fund.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate Per \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Current Year Ended September 30	% of Collections as of 08/31/2018
2014	\$ 787,621	\$ 1.0000	\$ 7,876	100.00%	2015	100.00%
2015	845,389	0.8000	6,763	100.00%	2016	100.00%
2016	19,545,001	0.8500	172,973	100.00%	2017	100.00%
2017	56,346,940	0.8850	478,949	99.11%	2018	99.11%
2018	99,076,668	0.8850	876,829	(b)	2019	(b)

(a) Tax rate per \$100 of taxable value. See "Tax Rate Distribution" below.

(b) Taxes not yet under collection.

Tax Rate Distribution

	2018	2017	2016	2015
Utility System Debt Service	\$0.3450	\$0.3100	\$0.0000	\$0.0000
Road System Debt Service	0.3700	0.3000	0.0000	0.0000
Maintenance	<u>0.1700</u>	<u>0.2750</u>	<u>0.8500</u>	<u>0.8000</u>
	<u>\$0.8850</u>	<u>\$0.8850</u>	<u>\$0.8500</u>	<u>\$0.8000</u>

Assessed Taxable Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2015–2018 tax years.

Type of Property	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation
Land	\$31,790,654	\$29,286,030	\$22,624,718	\$4,444,577
Improvements	71,672,103	29,284,512	3,030	0
Personal Property	1,335,010	856,010	17,790	0
Exemptions	<u>(5,721,099)</u>	<u>(3,079,612)</u>	<u>(3,100,537)</u>	<u>(3,599,188)</u>
Total	\$99,076,668 (a)	\$56,346,940	\$19,545,001	\$845,389

(a) Does not include \$620,970 of uncertified value as provided by the Appraisal District.

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
GR-M1 LTD (a)	Land & Lots	\$9,037,357
Taylor Morrison of Texas Inc.	Lots and Homes	2,000,060
Highland Homes-Houston LLC	Lots and Homes	1,812,940
MHI Partnership LTD	Lots and Homes	1,780,700
Weekley Homes LLC	Lots and Homes	1,455,900
Trendmaker Homes Inc.	Lots and Homes	1,385,630
Shea Homes Houston LLC	Lots and Homes	1,207,820
Perry Homes LLC	Lots and Homes	1,166,330
CalAtlantic Homes of Texas Inc.	Lots and Homes	980,600
Lennar Homes of Texas	Lots and Homes	<u>940,830</u>
Total		<u>\$16,893,935</u>
% of Respective Tax Roll		17.05%

(a) See “PRINCIPAL LANDOWNERS/DEVELOPER.”

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 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 or report 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 cover page 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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision

for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the “MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings “DISTRICT DEBT” (except for the subheading “– Estimated Direct and Overlapping Debt Statement”), “TAX DATA,” and in “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 2019. The District will provide the updated information to the MSRB.

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 March 31. Accordingly, it must provide updated information by the last day in September 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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an 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

The District entered into its first continuing disclosure undertaking in connection with the issuance of the Outstanding Bonds in August of 2016. The District has complied in all material respects with its continuing disclosure undertaking made in accordance with the Rule.

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 Utility System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" and "THE UTILITY SYSTEM," and "THE ROAD SYSTEM" has been provided by Edminster, Hinshaw, Russ and Associates, 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, Inc. and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest, Inc.'s authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax 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 notify 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.

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. 55 as of the date shown on the cover page hereof.

/s/ Houston Hamilton
President, Board of Directors
Brazoria County Municipal Utility District No. 55

ATTEST:

/s/ Melissa Lacy
Assistant Secretary, Board of Directors
Brazoria County Municipal Utility District No. 55

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**BRAZORIA COUNTY MUNICIPAL
UTILITY DISTRICT NO. 55**

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2018

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Independent Auditors' Report

Board of Directors
Brazoria County Municipal Utility District No. 55
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 55, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Brazoria County Municipal Utility District No. 55
Brazoria County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 55, as of March 31, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

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

McGrath & Co, PLLC

Houston, Texas
August 9, 2018

Management's Discussion and Analysis

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***Brazoria County Municipal Utility District No. 55
Management's Discussion and Analysis
March 31, 2018***

Using this Annual Report

Within this section of the financial report of Brazoria County Municipal Utility District No. 55 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Brazoria County Municipal Utility District No. 55
Management's Discussion and Analysis
March 31, 2018***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at March 31, 2018, was negative \$12,008,618. The District's net position is negative because the District incurs debt to construct road facilities and certain storm drainage facilities which it conveys to the City of Iowa Colony. A comparative summary of the District's overall financial position, as of March 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,765,360	\$ 579,722
Capital assets	31,911,467	13,071,678
Total assets	<u>34,676,827</u>	<u>13,651,400</u>
Current liabilities	287,134	134,784
Long-term liabilities	46,398,311	18,292,081
Total liabilities	<u>46,685,445</u>	<u>18,426,865</u>
Net position		
Net investment in capital assets	(3,145,599)	(466,924)
Restricted	600,463	121,264
Unrestricted	(9,463,482)	(4,429,805)
Total net position	<u>\$ (12,008,618)</u>	<u>\$ (4,775,465)</u>

***Brazoria County Municipal Utility District No. 55
Management's Discussion and Analysis
March 31, 2018***

The total net position of the District decreased during the current fiscal year by \$7,233,153. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Property taxes, penalties and interest	\$ 507,684	\$ 190,551
Water and sewer service	243,195	158,999
Other	300,391	322,907
Total revenues	<u>1,051,270</u>	<u>672,457</u>
Expenses		
Current service operations	861,067	770,636
Debt interest and fees	231,397	33,198
Developer interest	665,063	164,927
Debt issuance costs	691,477	157,880
Depreciation	1,000,680	280,928
Total expenses	<u>3,449,684</u>	<u>1,407,569</u>
Change in net position before other item	(2,398,414)	(735,112)
Other items		
Tax exempt impact fee	1,330,989	
Transfers to other governments	<u>(6,165,728)</u>	<u>(2,745,462)</u>
Change in net position	(7,233,153)	(3,480,574)
Net position, beginning of year	<u>(4,775,465)</u>	<u>(1,294,891)</u>
Net position, end of year	<u><u>\$ (12,008,618)</u></u>	<u><u>\$ (4,775,465)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2018, were \$2,538,955, which consists of \$1,617,203 in the General Fund, \$607,490 in the Debt Service Fund, and \$314,262 in the Capital Projects Fund.

***Brazoria County Municipal Utility District No. 55
Management’s Discussion and Analysis
March 31, 2018***

General Fund

A comparative summary of the General Fund’s financial position as of March 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 1,814,598</u>	<u>\$ 261,981</u>
Total liabilities	\$ 186,097	\$ 126,077
Total deferred inflows	11,298	4,487
Total fund balance	<u>1,617,203</u>	<u>131,417</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,814,598</u>	<u>\$ 261,981</u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 695,438	\$ 667,827
Total expenditures	<u>(778,457)</u>	<u>(797,270)</u>
Revenues under expenditures	(83,019)	(129,443)
Other changes in fund balance	<u>1,568,805</u>	
Net change in fund balance	<u>\$ 1,485,786</u>	<u>\$ (129,443)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water and sewer service revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the current year, financial resources also included tax exempt impact fees in the amount of \$1,330,989 received from Alvin Independent School District (“School District”) based on its pro rata share of existing District facilities intended to serve the School District’s stadium site and bus barn.

***Brazoria County Municipal Utility District No. 55
Management's Discussion and Analysis
March 31, 2018***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 633,983</u>	<u>\$ 129,684</u>
Total liabilities	\$ 1,430	\$ -
Total deferred inflows	25,063	
Total fund balance	<u>607,490</u>	<u>129,684</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 633,983</u>	<u>\$ 129,684</u>

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

	2018	2017
Total revenues	\$ 323,556	\$ 77
Total expenditures	<u>(215,054)</u>	<u>(21,959)</u>
Revenues over/(under) expenditures	108,502	(21,882)
Other changes in fund balance	369,304	151,566
Net change in fund balance	<u>\$ 477,806</u>	<u>\$ 129,684</u>

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 316,779</u>	<u>\$ 188,057</u>
Total liabilities	\$ 2,517	\$ 287
Total fund balance	<u>314,262</u>	<u>187,770</u>
Total liabilities and fund balance	<u>\$ 316,779</u>	<u>\$ 188,057</u>

***Brazoria County Municipal Utility District No. 55
Management’s Discussion and Analysis
March 31, 2018***

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

	2018	2017
Total revenues	\$ 403	\$ 66
Total expenditures	(7,613,391)	(2,085,730)
Revenues under expenditures	(7,612,988)	(2,085,664)
Other changes in fund balance	7,739,480	2,273,434
Net change in fund balance	\$ 126,492	\$ 187,770

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Bonds and Series 2017 Unlimited Tax Road Bonds in the current year and issuance of its Series 2016 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,237,531 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

***Brazoria County Municipal Utility District No. 55
Management's Discussion and Analysis
March 31, 2018***

Capital assets held by the District at March 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	\$ 2,712,469	\$ 535,808
Construction in progress		223,130
	<u>2,712,469</u>	<u>758,938</u>
Capital assets being depreciated		
Infrastructure	18,835,673	12,641,790
Landscaping improvements	11,693,055	
	<u>30,528,728</u>	<u>12,641,790</u>
Less accumulated depreciation		
Infrastructure	(745,077)	(329,050)
Landscaping improvements	(584,653)	
	<u>(1,329,730)</u>	<u>(329,050)</u>
Depreciable capital assets, net	<u>29,198,998</u>	<u>12,312,740</u>
Capital assets, net	<u>\$ 31,911,467</u>	<u>\$ 13,071,678</u>

Capital asset additions during the current year include the following:

- Westfork Chocolate Bayou detention basins and earthwork Phase 1A and outfalls for future detention basins
- Utilities to serve Meridiana Parkway, Phase 1 and Discover Drive South
- Utilities to serve Discovery Drive North
- Utilities to serve Meridiana Parkway – Sections 64, 69 and 70
- Utilities to serve Iowa Colony Boulevard
- 16-inch water line interconnect
- Landscaping improvements to serve Meridiana Phase 1 – open space north and south
- Landscaping improvements to serve Meridiana Parkway, Phase 1

The City of Iowa Colony assumes responsibility for all road facilities and storm sewer systems constructed in public streets within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended March 31, 2018, capital assets in the amount of \$6,165,728 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of March 31, 2018, the District owes \$35,562,541 to the developer for completed projects and operating advances. As discussed in Note 6, the District has an additional commitment in the amount of \$23,015,992 for projects under construction by the developer. As previously mentioned, the District

***Brazoria County Municipal Utility District No. 55
Management’s Discussion and Analysis
March 31, 2018***

will owe its developer for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District’s financial statements. The District intends to reimburse the developer from proceeds of future bond issues.

At March 31, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2016	\$ 2,500,000	\$ 2,500,000
2017	5,215,000	
2017 Road	3,255,000	
	<u>\$ 10,970,000</u>	<u>\$ 2,500,000</u>

During the year, the District issued \$5,215,000 in unlimited tax bonds for water, sewer, and drainage facilities and \$3,255,000 in unlimited tax bonds for road improvements. At March 31, 2018, the District had \$105,145,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding the same; \$41,170,000 for parks and recreational facilities and refunding the same; and \$32,445,000 for road improvements and refunding the same.

Next Year’s Budget

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

	2018 Actual	2019 Budget
Total revenues	\$ 695,438	\$ 892,000
Total expenditures	(778,457)	(823,744)
Revenues over/(under) expenditures	(83,019)	68,256
Other changes in fund balance	1,568,805	
Net change in fund balance	1,485,786	68,256
Beginning fund balance	131,417	1,617,203
Ending fund balance	<u>\$ 1,617,203</u>	<u>\$ 1,685,459</u>

Property Taxes

The District’s property tax base increased approximately \$42,711,000 for the 2018 tax year from \$56,365,433 to \$99,076,668. This increase was primarily due to new construction in the District.

Basic Financial Statements

Brazoria County Municipal Utility District No. 55
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 1,463,121	\$ 651,445	\$ 316,779	\$ 2,431,345	\$ -	\$ 2,431,345
Investments	250,000			250,000		250,000
Taxes receivable	11,298	25,063		36,361		36,361
Customer service receivables	19,495			19,495		19,495
Internal balances	42,525	(42,525)				
Prepaid items	27,984			27,984		27,984
Other receivables	175			175		175
Capital assets not being depreciated					2,712,469	2,712,469
Capital assets, net					29,198,998	29,198,998
Total Assets	\$ 1,814,598	\$ 633,983	\$ 316,779	\$ 2,765,360	31,911,467	34,676,827
Liabilities						
Accounts payable	\$ 94,134	\$ -	\$ 2,517	\$ 96,651		96,651
Other payables	19,288	1,430		20,718		20,718
Customer deposits	72,675			72,675		72,675
Accrued interest payable					32,090	32,090
Due to developer					35,562,541	35,562,541
Long-term debt						
Due within one year					65,000	65,000
Due after one year					10,835,770	10,835,770
Total Liabilities	186,097	1,430	2,517	190,044	46,495,401	46,685,445
Deferred Inflows of Resources						
Deferred property taxes	11,298	25,063		36,361	(36,361)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	27,984			27,984	(27,984)	
Restricted		607,490	314,262	921,752	(921,752)	
Unassigned	1,589,219			1,589,219	(1,589,219)	
Total Fund Balances	1,617,203	607,490	314,262	2,538,955	(2,538,955)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,814,598	\$ 633,983	\$ 316,779	\$ 2,765,360		
Net Position						
Net investment in capital assets					(3,145,599)	(3,145,599)
Restricted for debt service					600,463	600,463
Unrestricted					(9,463,482)	(9,463,482)
Total Net Position					\$ (12,008,618)	\$ (12,008,618)

See notes to basic financial statements.

Brazoria County Municipal Utility District No. 55

***Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2018***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 139,407	\$ -	\$ -	\$ 139,407	\$ -	\$ 139,407
Sewer service	103,788			103,788		103,788
Property taxes	148,512	319,295		467,807	31,873	499,680
Penalties and interest	4,638	3,366		8,004		8,004
Groundwater pumpage fees	1,136			1,136		1,136
Tap connection and inspection	278,910			278,910		278,910
Miscellaneous	16,817	150		16,967		16,967
Investment earnings	2,230	745	403	3,378		3,378
Total Revenues	695,438	323,556	403	1,019,397	31,873	1,051,270
Expenditures/Expenses						
Current service operations						
Professional fees	183,101		98,839	281,940		281,940
Contracted services	210,136	7,976		218,112		218,112
Repairs and maintenance	127,114			127,114		127,114
Lease	158,444			158,444	(26,624)	131,820
Utilities	43,013			43,013		43,013
Groundwater pumpage fees	710			710		710
Administrative	48,114	2,235		50,349		50,349
Other	7,825		184	8,009		8,009
Capital outlay			6,157,828	6,157,828	(6,157,828)	
Debt service						
Interest and fees		204,843		204,843	26,554	231,397
Developer interest			665,063	665,063		665,063
Debt issuance costs			691,477	691,477		691,477
Depreciation					1,000,680	1,000,680
Total Expenditures/Expenses	778,457	215,054	7,613,391	8,606,902	(5,157,218)	3,449,684
Revenues Over/(Under) Expenditures/Expenses	(83,019)	108,502	(7,612,988)	(7,587,505)	5,189,091	(2,398,414)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		369,304	8,100,696	8,470,000	(8,470,000)	
Repayment of developer advances			(123,400)	(123,400)	123,400	
Internal transfers	237,816		(237,816)			
Other Items						
Tax exempt impact fee	1,330,989			1,330,989		1,330,989
Transfers to other governments					(6,165,728)	(6,165,728)
Net Change in Fund Balances	1,485,786	477,806	126,492	2,090,084	(2,090,084)	
Change in Net Position					(7,233,153)	(7,233,153)
Fund Balances/Net Position						
Beginning of the year	131,417	129,684	187,770	448,871	(5,224,336)	(4,775,465)
End of the year	\$ 1,617,203	\$ 607,490	\$ 314,262	\$ 2,538,955	\$ (14,547,573)	\$ (12,008,618)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria County Municipal Utility District No. 55 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 16, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 28, 2007 and the first bonds were sold on December 13, 2016.

The District’s primary activities include the construction of water, sewer, drainage and road facilities within the District. As further discussed in Note 9, the District transfers road facilities and certain storm sewer facilities to the City of Iowa Colony for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of water, wastewater, certain drainage facilities and landscaping improvements, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	20 years

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balances Sheet* to the *Statement of Net Position*

Total fund balances, governmental funds	\$ 2,538,955
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 33,241,197	
Less accumulated depreciation	<u>(1,329,730)</u>	
Change due to capital assets		31,911,467

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(10,900,770)	
Interest payable on bonds	<u>(32,090)</u>	
Change due to long-term debt		(10,932,860)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(35,562,541)
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Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds. The difference consists of property taxes receivable.

36,361

Total net position - governmental activities	<u><u>\$ (12,008,618)</u></u>
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Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

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

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

Net change in fund balances - total governmental funds \$ 2,090,084

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 31,873

Revisions in the estimate of amounts due to developer for certain operating costs do not provide financial resources in the funds; but may result in an adjustment to net position in *Statement of Activities*. 26,624

Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the *Statement of Net Position*. In the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 6,157,828	
Depreciation expense	(1,000,680)	
		5,157,148

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt	(8,470,000)	
Interest expense accrual	(26,554)	
		(8,496,554)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 123,400

The District conveys storm drainage facilities and roads to the City of Iowa Colony upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (6,165,728)

Change in net position of governmental activities \$ (7,233,153)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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

As of March 31, 2018, the District's investments consist entirely of a certificate of deposit in the General Fund, which is reported at cost.

Investment Credit and Interest Rate Risk

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

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at March 31, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 42,525	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

A summary of internal transfers for the current fiscal year is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
Capital Projects Fund	General Fund	\$ 237,816	Reimbursement for temporary wastewater treatment plant lease payments paid by the General Fund

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2018, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land and improvements	\$ 535,808	\$ 2,176,661	\$ -	\$ 2,712,469
Construction in progress	223,130		223,130	
	<u>758,938</u>	<u>2,176,661</u>	<u>223,130</u>	<u>2,712,469</u>
Capital assets being depreciated				
Infrastructure	12,641,790	6,193,883		18,835,673
Landscaping improvements		11,693,055		11,693,055
	<u>12,641,790</u>	<u>17,886,938</u>		<u>30,528,728</u>
Less accumulated depreciation				
Infrastructure	(329,050)	(416,027)		(745,077)
Landscaping improvements		(584,653)		(584,653)
	<u>(329,050)</u>	<u>(1,000,680)</u>		<u>(1,329,730)</u>
Subtotal depreciable capital assets, net	<u>12,312,740</u>	<u>16,886,258</u>		<u>29,198,998</u>
Capital assets, net	<u>\$ 13,071,678</u>	<u>\$ 19,062,919</u>	<u>\$ 223,130</u>	<u>\$ 31,911,467</u>

Depreciation expense for the current year was \$1,000,680.

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 6 – Due to Developer

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

The District's developer has also advanced funds to the District for operating expenses.

Changes in amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 15,864,196
Developer reimbursements	(6,157,828)
Developer funded construction and adjustments	25,979,573
Repayment of operating advances	(123,400)
Due to developer, end of year	<u>\$ 35,562,541</u>

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 6 – Due to Developer (continued)

In addition, the District will owe the developer approximately \$23,015,992, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount*	Amounts Paid	Remaining Commitment
Detention and Amenity Basins I and J	\$ 1,059,997	\$ 952,937	\$ 107,060
Detention and Amenity Basin H and Mitigation Basin 4 and 5	283,207	199,095	84,112
Detention and Amenity Basin K	1,342,328	1,092,655	249,673
Utilities to serve Meridiana - Section 66	1,047,800	877,009	170,791
Iowa Colony Boulevard Bridges	1,126,617	1,003,839	122,778
Access Road for Centerpoint Facilities for wastewater treatment plant	121,232	104,370	16,862
Offsite well	1,805,215	1,159,908	645,307
Paving and Storm Sewer to serve Iowa Colony Boulevard, Phase 2	3,469,949	2,926,978	542,971
Utilities to serve Meridiana - Section 75	251,253	229,896	21,357
Utilities and paving to serve Meridiana - Section 71	419,750	365,602	54,148
Detention and Amenity Basins F and G	1,309,479	479,269	830,210
Utilities and paving to serve Meridiana - Section 74	312,394	152,448	159,946
Landscaping improvements to serve Meridiana - Section 66 and Discovery Drive	481,992	9,575	472,417
Landscaping improvements to serve Meridiana - Iowa Colony South	1,333,642	186,149	1,147,493
Utilities and paving to serve Meridiana - Section 80 and Discovery Drive	1,838,285		1,838,285
Detention and Amenity Basin L and Mitigation Basin 6	961,921		961,921
Meridiana Parkway Bridges, Phase 2	2,879,520		2,879,520
Detention and Amenity Basins N and O and Mitigation Basin 7	1,444,934		1,444,934
Wastewater treatment plant expansion to 0.32 MGD	300,198		300,198
Utilities and paving to serve Meridiana - Section 65	1,226,279		1,226,279
	<u>\$ 23,015,992</u>	<u>\$ 9,739,730</u>	<u>\$ 13,276,261</u>

*District's share of contract

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 10,970,000
Unamortized discounts	<u>(69,230)</u>
	<u>\$ 10,900,770</u>
 Due within one year	 <u>\$ 65,000</u>

The District’s bonds payable at March 31, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016 Road	\$ 2,500,000	\$ 2,500,000	3.25% - 4.50%	September 1, 2018 - 2041	September 1, March 1	September 1, 2024
2017	5,215,000	5,215,000	2.00% - 3.875%	September 1, 2019 - 2042	September 1, March 1	September 1, 2025
2017 Road	3,255,000	3,255,000	2.00% - 4.00%	September 1, 2019 - 2042	September 1, March 1	September 1, 2025
	<u>\$ 10,970,000</u>					

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

At March 31, 2018, the District had authorized but unissued bonds in the amount of \$105,145,000 for water, sewer and drainage facilities and refunding the same; \$41,170,000 for park and recreational facilities and refunding the same; and \$32,445,000 for road improvements and refunding the same.

On September 14, 2017, the District issued its \$5,215,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.665727%. Proceeds of the bonds were used (1) to reimburse the developer for the construction of capital assets within the District, the acquisition of land for certain District facilities, and operating advances; (2) to pay developer interest at the net effective interest rate of the bonds; and (3) to pay capitalized interest into the Debt Service Fund.

On December 14, 2017, the District issued its \$3,255,000 Series 2017 Unlimited Tax Road Bonds at a net effective interest rate of 3.855037%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ 2,500,000
Bonds issued	8,470,000
Bonds payable, end of year	<u>\$ 10,970,000</u>

As of March 31, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 65,000	\$ 384,022	\$ 449,022
2020	290,000	379,627	669,627
2021	295,000	372,903	667,903
2022	310,000	365,874	675,874
2023	320,000	357,863	677,863
2024	330,000	348,871	678,871
2025	340,000	339,337	679,337
2026	360,000	328,965	688,965
2027	375,000	317,761	692,761
2028	390,000	305,738	695,738
2029	405,000	292,802	697,802
2030	425,000	278,815	703,815
2031	435,000	263,901	698,901
2032	455,000	248,087	703,087
2033	470,000	231,225	701,225
2034	490,000	213,543	703,543
2035	510,000	194,880	704,880
2036	530,000	175,228	705,228
2037	550,000	154,819	704,819
2038	575,000	133,368	708,368
2039	590,000	110,524	700,524
2040	615,000	86,438	701,438
2041	645,000	61,053	706,053
2042	665,000	34,479	699,479
2043	535,000	10,494	545,494
	<u>\$ 10,970,000</u>	<u>\$ 5,990,617</u>	<u>\$ 16,960,617</u>

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 8 – Property Taxes

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

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$0.885 per \$100 of assessed value, of which \$0.275 was allocated to maintenance and operations, \$0.31 was allocated to water, sewer, and drainage debt service, and \$0.30 was allocated to road debt service. The resulting tax levy was \$498,834 on the adjusted taxable value of \$56,365,433.

Note 9 – Transfers to Other Governments

The City of Iowa Colony assumes responsibility for the maintenance of storm sewer systems constructed in public streets. Accordingly, these facilities are considered to be capital assets of the City of Iowa Colony, not the District. For the fiscal year ended March 31, 2018, the District recorded transfers to other governments in the amount of \$6,165,728 for storm sewer systems and roads constructed by the developer within the District.

Note 10 – Lease Agreement

On October 14, 2014, the District entered into an operating lease agreement for a temporary wastewater treatment plant. This lease is for a 60 month term effective June 1, 2016, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. Total costs for all such leases for the fiscal year ended March 31, 2018 was \$158,444. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment.

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 10 – Lease Agreement (continued)

Monthly payments for the lease are \$13,212. Future minimum lease payments as of March 31, 2018 for this lease are as follows:

Year	Amount
2019	\$ 158,544
2020	158,544
2021	158,544
2022	13,212
	\$ 488,844

Standard lease terms require the District to prepay the last month’s lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*.

Note 11 – Shared Facilities Agreement with the City of Iowa Colony

On February 15, 2011, the District entered into a Shared Financing Agreement (the “Agreement”) with the City of Iowa Colony, Texas (the “City”), Reinvestment Zone Number Two, City of Iowa Colony, Texas (the “Zone”) and Iowa Colony Development Authority (the “Authority”) for the purpose of constructing TIRZ Projects which include various public works and improvements.

The Authority and the District agree to assist the City and the Zone in the implementation of the TIRZ Projects and in the funding, ownership, operation and maintenance of the TIRZ Projects. The District will act as Project Manager for the TIRZ projects set out in the Agreement, and will give written notice to the Authority Board before initiating the design or construction of a TIRZ project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement.

For any year in which the City collects or receives Tax Increment, the City will pay such Tax Increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from Tax Increment by the Authority (“TIRZ Share”) to the District is the percentage of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date subsequent to the District issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ Plan or the date that the Developer has been repaid in full for all eligible project costs.

Note 12 – Risk Management

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

Brazoria County Municipal Utility District No. 55
Notes to Basic Financial Statements
March 31, 2018

Note 13 – Subsequent Event

On July 12, 2018, the District approved a preliminary official statement and notice of sale for its Series 2018 Unlimited Tax Bonds in the amount of \$3,360,000. The acceptance of bids and award of sale is scheduled for August 9, 2018. Proceeds of the bonds will primarily be used to fund the construction of the District's water supply and storage facility.

Required Supplementary Information

***Brazoria County Municipal Utility District No. 55
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2018***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 130,000	\$ 139,407	\$ 9,407
Sewer service	30,000	103,788	73,788
Property taxes	240,000	148,512	(91,488)
Penalties and interest	5,000	4,638	(362)
Groundwater pumpage fees		1,136	1,136
Tap connection and inspection	614,500	278,910	(335,590)
Miscellaneous		16,817	16,817
Investment earnings	200	2,230	2,030
Total Revenues	<u>1,019,700</u>	<u>695,438</u>	<u>(324,262)</u>
Expenditures			
Current service operations			
Professional fees	120,000	183,101	(63,101)
Contracted services	436,400	210,136	226,264
Repairs and maintenance	171,500	127,114	44,386
Lease	158,544	158,444	100
Utilities	1,000	43,013	(42,013)
Groundwater pumpage fees		710	(710)
Administrative	35,700	48,114	(12,414)
Other		7,825	(7,825)
Total Expenditures	<u>923,144</u>	<u>778,457</u>	<u>144,687</u>
Revenues Over/(Under) Expenditures	96,556	(83,019)	(179,575)
Other Financing Sources			
Internal transfers		237,816	237,816
Developer advances	151,699		(151,699)
Other Item			
Tax exempt impact fee		1,330,989	1,330,989
Net Change in Fund Balance	248,255	1,485,786	1,237,531
Fund Balance			
Beginning of the year	131,417	131,417	
End of the year	<u>\$ 379,672</u>	<u>\$ 1,617,203</u>	<u>\$ 1,237,531</u>

Brazoria County Municipal Utility District No. 55
Notes to Required Supplementary Information
March 31, 2018

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Brazoria County Municipal Utility District No. 55

TSI-1. Services and Rates

March 31, 2018

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

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

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

a. Retail Rates for a 1" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 28.80	10,000	N	\$ 2.60	10,001 to 20,000
				\$ 3.15	20,001 to 25,000
				\$ 3.95	25,001 to no limit
Wastewater:	\$ 28.80	10,000	N	\$ 1.35	10,001 to 20,000
				\$ 1.60	20,001 to 25,000
				\$ 1.80	25,001 to no limit
Groundwater reduction:	\$ 0.03	1,000		\$ 0.03	1,001 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 29.10 Wastewater \$ 28.80

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	98	98	x 1.0	98
1"	275	273	x 2.5	683
1.5"			x 5.0	
2"	2	2	x 8.0	16
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	377	375		827
Total Wastewater	371	369	x 1.0	369

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 55
TSI-1. Services and Rates
March 31, 2018

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

Gallons pumped into system:	<u>45,067,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>39,302,000</u>	(Gallons billed / Gallons pumped) <u>87.21%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Brazoria County

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

City(ies) in which the District is located: City of Iowa Colony

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Brazoria County Municipal Utility District No. 55
 TSI-2 General Fund Expenditures
 For the Year Ended March 31, 2018*

Professional fees		
Legal	\$	128,162
Audit		8,000
Engineering		46,939
		<u>183,101</u>
Contracted services		
Bookkeeping		14,625
Operator		21,334
Tap connection and inspection		174,177
		<u>210,136</u>
Repairs and maintenance		<u>127,114</u>
Lease		<u>158,444</u>
Utilities		<u>43,013</u>
Groundwater pumpage fees		<u>710</u>
Administrative		
Directors fees		7,650
Printing and office supplies		17,144
Insurance		19,078
Other		4,242
		<u>48,114</u>
Other		<u>7,825</u>
Total expenditures	\$	<u><u>778,457</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	337,920 kWh	\$ 41,137
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55

TSI-3. Investments

March 31, 2018

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General					
Certificates of deposit	6757526008	1.60%	09/13/18	\$ 250,000	\$ 175

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55
TSI-4. Taxes Levied and Receivable
March 31, 2018

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 4,487	\$ -	\$ -	\$ 4,487
Adjustments to Prior Year Tax Levy	334			334
Adjusted Receivable	4,821			4,821
2017 Original Tax Levy	154,513	174,178	168,559	497,250
Adjustments	492	555	537	1,584
Adjusted Tax Levy	155,005	174,733	169,096	498,834
Total to be accounted for	159,826	174,733	169,096	503,655
Tax collections:				
Current year	143,706	161,996	156,770	462,472
Prior years	4,822			4,822
Total Collections	148,528	161,996	156,770	467,294
Taxes Receivable, End of Year	\$ 11,298	\$ 12,737	\$ 12,326	\$ 36,361
Taxes Receivable, By Years				
2017	\$ 11,298	\$ 12,737	\$ 12,326	\$ 36,361
	2017	2016	2015	2014
Property Valuations:				
Land	\$ 29,237,854	\$ 22,624,718	\$ 4,444,577	\$ 3,394,158
Improvements	29,284,512	3,030		260,570
Personal Property	856,010	17,790		
Exemptions	(3,012,943)	(3,100,537)	(3,599,188)	(2,867,107)
Total Property Valuations	\$ 56,365,433	\$ 19,545,001	\$ 845,389	\$ 787,621
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.275	\$ 0.85	\$ 0.80	\$ 1.00
W-S-D debt service tax rates	0.310			
Road debt service tax rates	0.300			
Total Tax Rates per \$100 Valuation	\$ 0.885	\$ 0.85	\$ 0.80	\$ 1.00
Adjusted Tax Levy:	\$ 498,834	\$ 166,133	\$ 6,763	\$ 7,876
Percentage of Taxes Collected to Taxes Levied **	92.71%	100.00%	100.00%	100.00%

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

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 10, 2008

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

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
March 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 65,000	\$ 99,988	\$ 164,988
2020	70,000	97,793	167,793
2021	70,000	95,519	165,519
2022	75,000	93,163	168,163
2023	75,000	90,724	165,724
2024	80,000	88,206	168,206
2025	80,000	85,606	165,606
2026	85,000	82,819	167,819
2027	90,000	79,757	169,757
2028	90,000	76,494	166,494
2029	95,000	73,025	168,025
2030	100,000	69,243	169,243
2031	100,000	65,244	165,244
2032	105,000	60,947	165,947
2033	110,000	56,244	166,244
2034	115,000	51,322	166,322
2035	120,000	46,181	166,181
2036	125,000	40,822	165,822
2037	130,000	35,244	165,244
2038	135,000	29,362	164,362
2039	135,000	23,287	158,287
2040	145,000	16,988	161,988
2041	150,000	10,350	160,350
2042	155,000	3,488	158,488
	<u>\$ 2,500,000</u>	<u>\$ 1,471,816</u>	<u>\$ 3,971,816</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
March 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ -	\$ 170,540	\$ 170,540
2020	135,000	169,190	304,190
2021	140,000	166,440	306,440
2022	145,000	163,517	308,517
2023	150,000	160,270	310,270
2024	155,000	156,646	311,646
2025	160,000	152,637	312,637
2026	170,000	148,127	318,127
2027	175,000	143,210	318,210
2028	185,000	137,897	322,897
2029	190,000	132,177	322,177
2030	200,000	126,032	326,032
2031	205,000	119,501	324,501
2032	215,000	112,622	327,622
2033	220,000	105,362	325,362
2034	230,000	97,768	327,768
2035	240,000	89,687	329,687
2036	250,000	81,112	331,112
2037	260,000	72,187	332,187
2038	270,000	62,912	332,912
2039	280,000	52,937	332,937
2040	290,000	42,250	332,250
2041	305,000	30,903	335,903
2042	315,000	18,891	333,891
2043	330,000	6,394	336,394
	<u>\$ 5,215,000</u>	<u>\$ 2,719,209</u>	<u>\$ 7,934,209</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
March 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ -	\$ 113,494	\$ 113,494
2020	85,000	112,644	197,644
2021	85,000	110,944	195,944
2022	90,000	109,194	199,194
2023	95,000	106,869	201,869
2024	95,000	104,019	199,019
2025	100,000	101,094	201,094
2026	105,000	98,019	203,019
2027	110,000	94,794	204,794
2028	115,000	91,347	206,347
2029	120,000	87,600	207,600
2030	125,000	83,540	208,540
2031	130,000	79,156	209,156
2032	135,000	74,518	209,518
2033	140,000	69,619	209,619
2034	145,000	64,453	209,453
2035	150,000	59,012	209,012
2036	155,000	53,294	208,294
2037	160,000	47,388	207,388
2038	170,000	41,094	211,094
2039	175,000	34,300	209,300
2040	180,000	27,200	207,200
2041	190,000	19,800	209,800
2042	195,000	12,100	207,100
2043	205,000	4,100	209,100
	<u>\$ 3,255,000</u>	<u>\$ 1,799,592</u>	<u>\$ 5,054,592</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	\$ 65,000	\$ 384,022	\$ 449,022
2020	290,000	379,627	669,627
2021	295,000	372,903	667,903
2022	310,000	365,874	675,874
2023	320,000	357,863	677,863
2024	330,000	348,871	678,871
2025	340,000	339,337	679,337
2026	360,000	328,965	688,965
2027	375,000	317,761	692,761
2028	390,000	305,738	695,738
2029	405,000	292,802	697,802
2030	425,000	278,815	703,815
2031	435,000	263,901	698,901
2032	455,000	248,087	703,087
2033	470,000	231,225	701,225
2034	490,000	213,543	703,543
2035	510,000	194,880	704,880
2036	530,000	175,228	705,228
2037	550,000	154,819	704,819
2038	575,000	133,368	708,368
2039	590,000	110,524	700,524
2040	615,000	86,438	701,438
2041	645,000	61,053	706,053
2042	665,000	34,479	699,479
2043	535,000	10,494	545,494
	<u>\$ 10,970,000</u>	<u>\$ 5,990,617</u>	<u>\$ 16,960,617</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55
TSI-6. Change in Long-Term Bonded Debt
March 31, 2018

	Bond Issue			Totals
	Series 2016 Road	Series 2017	Series 2017 Road	
Interest rate	3.25% - 4.50%	2.000% - 3.875%	2.00% - 4.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/18 - 9/1/41	9/1/19 - 9/1/42	9/1/19 - 9/1/42	
Beginning bonds outstanding	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Bonds issued		5,215,000	3,255,000	8,470,000
Ending bonds outstanding	<u>\$ 2,500,000</u>	<u>\$ 5,215,000</u>	<u>\$ 3,255,000</u>	<u>\$ 10,970,000</u>
Interest paid during fiscal year	<u>\$ 101,044</u>	<u>\$ 85,270</u>	<u>\$ 28,374</u>	<u>\$ 214,688</u>
Paying agent's name and city All Series	<u>Amegy Bank, a division of ZB, N.A., Houston, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	
Amount Authorized by Voters	\$ 110,360,000	\$ 41,170,000	\$ 38,200,000	
Amount Issued	(5,215,000)		(5,755,000)	
Remaining To Be Issued	<u>\$ 105,145,000</u>	<u>\$ 41,170,000</u>	<u>\$ 32,445,000</u>	

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

Debt Service Fund cash and investments balances as of March 31, 2018: \$ 651,445

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 678,425

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 55

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016**	2015**	2014**
Revenues					
Water service	\$ 139,407	\$ 100,347	\$ 690	\$ -	\$ -
Sewer service	103,788	58,652	657		
Property taxes	148,512	183,817	6,763	7,876	
Penalties and interest	4,638	2,247	16		
Groundwater pumpage fees	1,136	542			
Tap connection and inspection	278,910	319,615	43,070		
Miscellaneous	16,817	2,430	790	30	
Investment earnings	2,230	177	144	17	
Total Revenues	695,438	667,827	52,130	7,923	
Expenditures					
Current service operations					
Professional fees	183,101	142,210	138,681	70,821	17,613
Contracted services	210,136	239,709	10,581	7,243	3,300
Repairs and maintenance	127,114	125,228	11,038		
Utilities	43,013	44,055			
Lease	158,444	132,120	39,936		
Groundwater pumpage fees	710	1,225	97		
Administrative	48,114	36,807	10,533	10,539	5,055
Other	7,825	1,716	1,724	408	
Capital outlay		74,200	217,000	55,300	
Total Expenditures	778,457	797,270	429,590	144,311	25,968
Revenues Under Expenditures	\$ (83,019)	\$ (129,443)	\$ (377,460)	\$ (136,388)	\$ (25,968)
Total Active Retail Water Connections	375	213	31	N/A	N/A
Total Active Retail Wastewater Connections	369	208	29	N/A	N/A

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016**	2015**	2014**
20%	15%	1%		
15%	9%	1%		
21%	28%	13%	100%	
1%	*	*		
*	*			
40%	48%	83%		
2%	*	2%	*	
*	*	*	*	
99%	100%	100%	100%	

26%	21%	266%	894%	N/A
30%	36%	20%	91%	N/A
18%	19%	21%		
6%	7%			
23%	20%	77%		
*	*	*		
7%	6%	20%	133%	N/A
1%	*	3%	5%	
	11%	416%	698%	
111%	120%	823%	1821%	N/A
(12%)	(20%)	(723%)	(1,721%)	N/A

Brazoria County Municipal Utility District No. 55

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2018	2017	2018	2017
Revenues				
Property taxes	\$ 319,295	\$ -	99%	
Penalties and interest	3,366		1%	
Miscellaneous	150		*	
Investment earnings	745	77	*	100%
Total Revenues	<u>323,556</u>	<u>77</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Tax collection services	10,211	66	3%	86%
Debt service				
Interest and fees	204,843	21,893	63%	28432%
Total Expenditures	<u>215,054</u>	<u>21,959</u>	<u>66%</u>	<u>28518%</u>
Revenues Over (Under) Expenditures	<u>\$ 108,502</u>	<u>\$ (21,882)</u>	<u>34%</u>	<u>(28,418%)</u>

*Percentage is negligible

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2018***

Complete District Mailing Address: 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): March 21, 2017
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Michelle Newman	5/14 - 5/18	\$ 1,500	\$ 299	President
Kristina Jones	5/14 - 5/18	1,350	271	Vice President
Houston Hamilton	5/16 - 5/20	1,650	268	Secretary
Melissa Lacy	5/16 - 5/20	1,350	245	Assistant Secretary
Roy Bergman	3/17 - 5/18	1,800	391	Assistant Vice President
Consultants				
Allen Boone Humphries Robinson	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 106,153		
<i>Bond counsel</i>		144,698		
Si Environmental, LLC	2015	304,133		Operator
Myrtle Cruz	2007	18,144		Bookkeeper
Assessments of the Southwest, Inc.	2007	3,349		Tax Collector
Brazoria County Appraisal District	Legislation	4,562		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008	64		Delinquent Tax Attorney
EHRA Engineering	2007	93,184		Engineer
McGrath & Co., PLLC	Annual	15,950		Auditor
Robert W. Baird & Co. Incorporated	2015	107,252		Financial Advisor

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

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN