

**OFFICIAL STATEMENT DATED NOVEMBER 5, 2018**

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

*THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."*

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

Insured Rating (BAM): S&P "AA" (stable outlook)  
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

**\$2,400,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 170**  
*(A political subdivision of the State of Texas located within Fort Bend County)*  
**UNLIMITED TAX BONDS, SERIES 2018**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 170 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Fulshear or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

**Dated: December 1, 2018**

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

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar" or "Registrar/Paying Agent") upon surrender of the Bonds for payment. Interest on the Bonds accrues from December 1, 2018, and is payable each March 1 and September 1, commencing March 1, 2019, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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

**MATURITY SCHEDULE**

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2021	\$ 40,000	5.500%	2.550%	34683B CY2	2026	\$ 50,000 (a)	5.500%	3.100%	34683B DD7
2022	40,000	5.500	2.650	34683B CZ9	2027	50,000 (a)	5.500	3.200	34683B DE5
2023	40,000	5.500	2.800	34683B DA3	2028	55,000 (a)	5.500	3.300	34683B DF2
2024	45,000	5.500	2.900	34683B DB1	2029	55,000 (a)	5.500	3.400	34683B DG0
2025	45,000 (a)	5.500	3.050	34683B DC9					

\$120,000 Term Bonds due September 1, 2031 (a), 34683B DJ4 (b), 4.000% Interest Rate, 4.000% Yield (c)  
 \$205,000 Term Bonds due September 1, 2034 (a), 34683B DM7 (b), 4.000% Interest Rate, 4.086% Yield (c)  
 \$235,000 Term Bonds due September 1, 2037 (a), 34683B DQ8 (b), 4.000% Interest Rate, 4.220% Yield (c)  
 \$270,000 Term Bonds due September 1, 2040 (a), 34683B DT2 (b), 4.125% Interest Rate, 4.250% Yield (c)  
 \$1,150,000 Term Bonds due September 1, 2043 (a), 34683B DW5 (b), 4.250% Interest Rate, 4.332% Yield (c)

- (a) Bonds maturing on or after September 1, 2025, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2024, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 170 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Fulshear, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson, LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 5, 2018.

## TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY .....	3
SELECTED FINANCIAL INFORMATION (UNAUDITED) .....	7
THE BONDS .....	8
BOOK-ENTRY-ONLY SYSTEM.....	14
USE AND DISTRIBUTION OF BOND PROCEEDS .....	16
CROSS CREEK RANCH DEVELOPMENT.....	17
THE DISTRICT .....	17
THE DEVELOPERS .....	20
MANAGEMENT OF THE DISTRICT .....	21
THE SYSTEM.....	22
FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).....	27
ESTIMATED OVERLAPPING DEBT .....	28
DISTRICT OPERATIONS.....	29
DEBT SERVICE REQUIREMENTS.....	30
TAX DATA .....	31
TAXING PROCEDURES .....	33
INVESTMENT CONSIDERATIONS.....	37
MUNICIPAL BOND RATING .....	44
MUNICIPAL BOND INSURANCE .....	45
LEGAL MATTERS.....	46
TAX MATTERS.....	47
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS.....	48
SALE AND DISTRIBUTION OF THE BONDS .....	49
PREPARATION OF OFFICIAL STATEMENT.....	49
CONTINUING DISCLOSURE OF INFORMATION .....	50
MISCELLANEOUS .....	52
AERIAL PHOTOGRAPH .....	53
PHOTOGRAPHS OF THE DISTRICT.....	54
FINANCIAL STATEMENTS OF THE DISTRICT .....	APPENDIX A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....	APPENDIX B

### 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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

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

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."

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

<i>Description...</i>	Fort Bend County Municipal Utility District No. 170 (the “District”) is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) on August 22, 2007, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 848 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located approximately 31 miles west of the central downtown business district of the City of Houston, Texas in Fort Bend County. The District lies wholly within the city limits of the City of Fulshear (the “City”) and within the boundaries of the Lamar Consolidated Independent School District. The District is located north of FM 1093 and west of the Grand Parkway and FM 1463. See “THE DISTRICT—Description and Location.”
<i>Recent Extreme Weather Events...</i>	<p>The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.</p> <p>The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.</p> <p>The District constructs for the benefit of and conveyance to the City of Fulshear (the “City”), certain water, wastewater and drainage facilities needed to serve land being developed within the District, and upon conveyance of the facilities to the City, the City assumes responsibility for the operation and maintenance of the facilities. According to the City, the City’s water supply and distribution system and wastewater treatment and collection system serving the property within the District’s boundaries did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service to the District as a result of Hurricane Harvey. Further according to the Developers (as hereinafter defined), no taxable improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.</p> <p>If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events.”</p>

*Cross Creek Ranch...*

The District is part of a development project known as Cross Creek Ranch covering approximately 3,200 acres of land and planned for approximately 5,500 to 6,000 single-family homes. The Cross Creek Ranch project consists of five municipal utility districts: Fort Bend County Municipal Utility District No. 169 (“No. 169”), the District, Fort Bend County Municipal Utility District No. 171 (“No. 171”), Fort Bend County Municipal Utility District No. 172 (“No. 172”), and Fort Bend County Municipal Utility District No. 173 (“No. 173”). No. 169 in its capacity as a participant district, No. 171, No. 172, No. 173, and the District are referred to herein collectively as the “MUD Participants.”

*The Developers...*

The original developer of Cross Creek Ranch was Trendmaker Homes, Inc., a Texas corporation (“Trendmaker”). On April 12, 2012, Trendmaker sold all of its assets in Cross Creek Ranch (except 41 acres located in the District), which included approximately 2,370 acres of land and 88 lots, to CCR Texas Holdings LP, a Delaware limited partnership (“CCR Texas”) with Johnson/CCR GP, LLC as its general partner. Trendmaker has developed its remaining 41 acres located in the District into the Lakes of Cross Creek Ranch Sections One and Three, a total of 101 lots. Trendmaker owns no additional acreage in the District.

CCR Texas financed its acquisition of Cross Creek Ranch (approximately 2,370 acres) with a \$90,000,000 loan from CCR Texas Lender Inc. and PSPIB-CCR Inc. In 2013, CCR Texas transferred approximately 423 acres in Cross Creek Ranch to its wholly owned subsidiary, CCR Loan Subsidiary 1, L.P. (“CCR Subsidiary”), a Texas limited partnership with CCR Loan Sub 1 LLC as its general partner. In 2014, CCR Texas transferred an additional 310 acres in Cross Creek Ranch to CCR Subsidiary. In 2016, CCR Texas transferred an additional 400 acres in Cross Creek Ranch to CCR Subsidiary. Collectively CCR Texas and CCR Subsidiary are referred to as the “Developers.”

Johnson CCR Management LLC (“Johnson CCR”), an affiliate of The Johnson Development Corp. (“Johnson Development”), is the development manager for Cross Creek Ranch. Johnson Development is a Houston-based, residential and commercial land development company. For more than forty years, Johnson Development has developed master-planned communities in Houston, Atlanta, and other markets. Johnson Development engages in development activities through itself and related entities. See “CROSS CREEK RANCH” and “THE DEVELOPERS.”

*Homebuilders...*

Homebuilders in the District include Darling Homes, Taylor Morrison Homes, Perry Homes, Chesmar Homes, Partners in Building and Sitterle Homes. See “THE DISTRICT—Homebuilding.”

*Status of Development...*

Development in the District currently consists of the subdivisions Lakes of Cross Creek Ranch Sections One through Three, The Pond at Cross Creek Ranch, The Brooks at Cross Creek Ranch, Sections One through Three, Bonterra at Cross Creek Ranch, Sections One through Six, and Willows at Cross Creek Ranch Section One totaling 850 completed single-family residential lots on approximately 277 acres. As of August 23, 2018, there were 391 homes completed and occupied in the District, 20 homes completed, but unoccupied, 100 homes under construction (84 of which are sold and 16 of which are for sale) and 339 developed lots available for home construction. Homes constructed within the District range in price from approximately \$240,000 to \$1,000,000 (including the lot). There is also a recreation center located on approximately 4 acres of land in Bonterra Section 1.

There are 287 acres in the District which remain to be developed and approximately 280 acres in the District that are not developable, including major streets, pipeline easements, plant sites, detention, drill sites, recreational sites and open space. See “THE DISTRICT—Land Use—Status of Development.”



*Facilities...*

Pursuant to a Utility Agreement between the District and the City, the District constructs the water, sanitary sewer, and drainage facilities internal to the District that serve only the District and conveys said facilities to the City for operation and maintenance by the City. No. 169, in its capacity as the provider of regional water, sanitary sewer, drainage, park/recreational and road facilities that are arterial, collector or thoroughfare roads (hereinafter collectively referred to as the “Master District Facilities”), has contracted with the District to construct and provide service from the Master District Facilities. See “INVESTMENT CONSIDERATIONS—Maximum Impact on Tax Rate—Overlapping Debt and Taxes” and “THE SYSTEM—The Master District—Master District Facilities” and “THE DISTRICT—Utility Agreement with the City.” No. 169, in its capacity as provider of the Master District Facilities, is referred to herein as the “Master District.” Pursuant to a Utility Agreement between the Master District and the City, the Master District conveys certain water, sewer and drainage facilities constituting Master District Facilities to the City for operation and maintenance by the City. The Master District retains operation and maintenance responsibilities for regional park/recreational facilities, non-potable water facilities, and detention pond and drainage ditch facilities constructed by the Master District. With respect to roads constructed by the Master District, the City has to date accepted roads for operation and maintenance.

*Payment Record...*

The Bonds are the District’s fourth issue of unlimited tax bonds. The District has previously issued two series of unlimited tax bonds for water, sewer and drainage facilities totaling \$8,800,000, of which \$8,350,000 principal amount was outstanding as of October, 2018, and one series of unlimited tax park bonds totaling \$1,335,000 of which \$1,335,000 was outstanding as of October, 2018 (collectively the “Outstanding Bonds”). The District has never defaulted on the payment of principal or interest on the Outstanding Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

**THE BONDS**

*Description...*

\$2,400,000 Unlimited Tax Bonds, Series 2018 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in the years 2021 through 2029, both inclusive, and as term bonds on September 1 in each of the years 2031, 2034, 2037, 2040 and 2043 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from December 1, 2018, and is payable March 1, 2019, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”

*Book-Entry-Only System...*

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

*Redemption...*

Bonds maturing on or after September 1, 2025 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2024, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Short Term Debt...*

The District sold a \$1,550,000 Bond Anticipation Note, Series 2018 (the “BAN”) on July 11, 2018, with a maturity date of July 10, 2019. The District will use a portion of the Bond proceeds to redeem the BAN prior to maturity. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Short Term Debt.”

<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to retire the BAN, to reimburse the Developers for certain construction costs, to pay interest on funds advanced by the Developers on behalf of the District and to pay costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM.”
<i>Authority for Issuance...</i>	The Bonds are being issued out of an aggregate of \$126,140,000 principal amount of unlimited tax bonds authorized by the District's voters for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds. The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code. See “THE BONDS—Authority for Issuance—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on 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 taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Insurance and Rating...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), will assign its municipal bond rating of “AA” (stable outlook) to each issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”) for each issue. The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE,” “MUNICIPAL BOND RATING” and “APPENDIX B.”
<i>Qualified Tax-Exempt Obligations...</i>	The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton, LLP, Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

## **INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds are subject to special Investment Considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2018 Certified Taxable Assessed Valuation .....	\$169,263,901	(a)
Estimated Taxable Assessed Valuation as of August 1, 2018 .....	\$190,283,793	(b)
Gross Direct Debt Outstanding (after the issuance of the Bonds) .....	\$12,085,000	
Estimated Overlapping Debt .....	<u>26,125,989</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt .....	\$38,210,989	
Ratios of Gross Debt to:		
2018 Certified Taxable Assessed Valuation .....	7.14%	
Estimated Taxable Assessed Valuation as of August 1, 2018 .....	6.35%	
Ratios of Total Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation .....	22.57%	
Estimated Taxable Assessed Valuation as of August 1, 2018 Valuation .....	20.08%	
Operating Fund Balance as of September 5, 2018 .....	\$82,512	
Capital Projects Fund Balance as of September 5, 2018 .....	\$841,124	
Debt Service Fund Balance as of September 5, 2018 .....	\$320,188	(d)
Contract Tax Fund Balance as of September 5, 2018.....	\$129,902	
2018 Tax Rate:		
Debt Service .....	\$ 0.36750	
Contract .....	0.67250	
Maintenance and Operations.....	<u>0.29838</u>	
Total.....	\$1.33838	(e)
Maximum Annual Debt Service Requirements (2021) of the Bonds and the Outstanding Bonds (“Maximum Annual Requirement”) .....	\$833,856	(f)
Average Annual Debt Service Requirements (2019-2043) of the Bonds and the Outstanding Bonds (“Average Annual Requirement”) .....	\$758,916	(f)
Tax rate required to pay Maximum Annual Requirement based upon:		
2018 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.52	(g)
Estimated Taxable Assessed Valuation as of August 1, 2018 at a 95% collection rate .....	\$0.47	(g)
Tax rate required to pay Average Annual Requirement based upon:		
2018 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.48	(g)
Estimated Taxable Assessed Valuation as of August 1, 2018 at a 95% collection rate .....	\$0.42	(g)
Status of Development as of August 23, 2018 (h):		
Homes Completed (391 completed and occupied, 20 completed and unoccupied) .....	411	
Homes Under Construction .....	100	
Lots Available for Home Construction .....	339	
Estimated Population .....	1,368	(i)

(a) As certified by the Appraisal District. See “TAX PROCEDURES.”

(b) As estimated by the Appraisal District as of August 1, 2018, for informational purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and therefore this estimate will not be the basis for any tax levy by the District. The 2018 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2018 to August 1, 2018. See “TAXING PROCEDURES.”

(c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”

(d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.

(e) Property owners in the District also pay taxes to the City of Fulshear. The City of Fulshear’s 2018 tax rate is \$0.16251. See “DEBT SERVICE REQUIREMENTS.”

(f) See “DEBT SERVICE REQUIREMENTS.”

(g) Pursuant to a Utility Agreement between the District and the City, the City provides the District a tax rebate, which based on the 2018 tax rate is approximately the equivalent of a \$0.06251 per \$100 of valuation tax rate. The Utility Agreement does not require the District to pledge the tax rebate for payment of bonds or for any other purpose. Therefore, the tax rebate is subject to modification by agreement of the District and the City. The District currently plans to use some or all of the rebate revenue to pay debt service on the Outstanding Bonds, the Bonds and future bonds, if any, issued by the District. The rebate is not included in these calculations. See “THE DISTRICT – Utility Agreement with the City – Tax Rebate.”

(h) See “THE DISTRICT-Land Use-Status of Development.”

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

**OFFICIAL STATEMENT**

**\$2,400,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 170**  
*(A political subdivision of the State of Texas located within Fort Bend County)*

**UNLIMITED TAX BONDS**  
**SERIES 2018**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 170 (the “District”) of its \$2,400,000 Unlimited Tax Bonds, Series 2018 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, the general laws of the State of Texas, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, CCR Texas Holdings, LP (“CCR Texas”), a Delaware limited partnership, CCR Loan Subsidiary 1, L.P. (“CCR Subsidiary”), a Texas limited partnership and a wholly owned subsidiary of CCR Texas, Johnson CCR Management LLC, and development activity in the District. CCR Texas and CCR Subsidiary and Trendmaker Homes Inc., a Texas corporation (“Trendmaker”). CCR Texas and CCR Subsidiary are collectively referred to as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**THE BONDS**

**Description**

The Bonds will be dated and accrue interest from December 1, 2018, with interest payable each March 1 and September 1, beginning March 1, 2019 (the “Interest Payment Date”), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

**Method of Payment of Principal and Interest**

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

**Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing, direct, annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, the City of Fulshear (the “City”), or any entity other than the District.

**Funds**

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. A portion of the proceeds from the sale of the Bonds will be used to retire the District’s \$1,550,000 Bond Anticipation Note, Series 2018 (the “BAN”) and the remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs, paying interest on such reimbursements and for paying the costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

**Redemption Provisions**

*Mandatory Redemption:* The Bonds maturing on September 1 in each of the years 2031, 2034, 2037, 2040 and 2043 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

<b>\$120,000 Term Bonds</b>		<b>\$205,000 Term Bonds</b>		<b>\$235,000 Term Bonds</b>	
<b>Due September 1, 2031</b>		<b>Due September 1, 2034</b>		<b>Due September 1, 2037</b>	
<b><u>Mandatory</u></b>	<b><u>Principal</u></b>	<b><u>Mandatory</u></b>	<b><u>Principal</u></b>	<b><u>Mandatory</u></b>	<b><u>Principal</u></b>
<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>	<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>	<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>
2030	\$ 60,000	2032	\$ 65,000	2035	\$ 75,000
2031 (maturity)	60,000	2033	70,000	2036	80,000
		2034 (maturity)	70,000	2037 (maturity)	80,000
		<b>\$270,000 Term Bonds</b>		<b>\$1,150,000 Term Bonds</b>	
		<b>Due September 1, 2040</b>		<b>Due September 1, 2043</b>	
	<b><u>Mandatory</u></b>	<b><u>Principal</u></b>		<b><u>Mandatory</u></b>	<b><u>Principal</u></b>
	<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>		<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>
	2038	\$ 85,000		2041	\$ 100,000
	2039	90,000		2042	500,000
	2040 (maturity)	95,000		2043 (maturity)	550,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2024, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written 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 Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

### **Authority for Issuance**

At a bond election held within the District, voters of the District authorized the issuance of \$126,140,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, and the Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The TCEQ has approved the sale of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS".

The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and an election held within the District.

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

### **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferable. See "BOOK-ENTRY-ONLY SYSTEM."

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bonds at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

### **Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

### **Replacement of Paying Agent/Registrar**

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

### **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the TCEQ (other than road bonds and refunding bonds), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$126,140,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$69,860,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, and \$50,400,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds. After issuance of the Bonds, \$114,940,000 principal amount of unlimited tax bonds will remain authorized but unissued for purchasing and constructing water, wastewater and storm drainage facilities and refunding of such bonds, \$68,525,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds will remain authorized but unissued, and all of the authorized bonds for purchasing and constructing road facilities and refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. After the payment from the sale of the Bonds, the Developers will have expended approximately \$2,245,000 for design, construction, engineering and acquisition of District water, sewer and drainage facilities for which they have not been reimbursed. See "INVESTMENT CONSIDERATIONS—Future Debt."

In addition, the District is responsible for its share of the debt service on the Contract Revenue Bonds (as hereinafter defined) issued by the Master District to finance capital costs for regional waterworks, sanitary sewer, and drainage facilities and for regional road facilities serving the Service Area (as hereinafter defined). See "INVESTMENT CONSIDERATIONS - Overlapping Master District Debt and Contract Tax" and "THE SYSTEM—The Master District."

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

### **Financing Parks and Recreational Facilities**

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 has developed and adopted a detailed park plan, and the qualified voters in the District have authorized the issuance of \$69,860,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities. \$68,525,000 of unlimited tax bonds remains authorized but unissued for purchasing and constructing parks and recreational facilities and related refunding purposes. In addition, the voters may authorize the issuance of additional bonds secured by ad valorem taxes.

Pursuant to the Contract for Financing, Operation and Maintenance of Regional Facilities, as amended (the “Master District Contract”), the Master District will fund the design and construction of the park and recreational facilities serving Cross Creek Ranch (“Master District Park Facilities”) through park connection fees imposed by the Master District on each MUD Participant, including the District, based on the number of connections reserved by a MUD Participant (“Park Connection Fees”). The Master District Contract provides that the Master District will compute Park Connection Fees on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area (as hereinafter defined) minus the Park Connection Fees which have been previously paid to the Master District, and dividing the result by the number of estimated total connections to be constructed within the Service Area minus the number of connections for which Park Connection Fees have been previously paid to the Master District. Each MUD Participant may issue bonds, or use other legally available funds, to pay for Park Connection Fees. In no event will a MUD Participant owe an amount for Park Connection Fees (whether paid by bond proceeds of the MUD Participant or other available funds) that exceeds any legal limit that would apply if the MUD Participant were to fund its obligation to pay for Park Connection Fees solely through the issuance of bonds. Under Section 49.4645 of the Water Code, the outstanding principal amount of bonds issued by any MUD Participant to finance park/recreational facilities payable from any source may not exceed an amount equal to one percent of the value of the taxable property in that district. Park Connection Fees are generally due from each MUD Participant to the Master District at the time a MUD Participant reserves capacity in the Master District Facilities (as hereinafter defined); however, no Park Connection Fees are due until a MUD Participant’s certified taxable value exceeds \$100,000,000. The Master District Contract allows the Master District to delay the due date for Park Connection Fees from a MUD Participant until such time as that MUD Participant has sufficient bond funds available to pay same. The Master District may refuse to allow a MUD Participant to receive additional connections in the Master District Facilities if the MUD Participant fails to pay the Master District the Park Connection Fees. For the purpose of funding Park Connection Fees, the Master District may require that each MUD Participant file one or more bond applications with the TCEQ no later than the date that 75% of the above-ground improvements within the MUD Participant have been constructed or are under construction. See “THE SYSTEM—The Master District.”

### **Dissolution**

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District’s consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. The Utility Agreement between the City and the District places certain restrictions on the City’s right to dissolve the District. See “THE DISTRICT- Utility Agreement with the City – Dissolution of the District.” If the District is dissolved, the City must assume the District’s assets and obligations (including the Bonds) and abolish the District. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

### **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

### **Remedies in Event of Default**

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



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

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

### **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.

## BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

**USE AND DISTRIBUTION OF BOND PROCEEDS**

The construction costs below were compiled by BGE, Inc., the District's engineer (the "Engineer"), and were submitted to the TCEQ in the District's Bond Application. A portion of the proceeds from the sale of the Bonds will be used to pay for the construction costs associated with the items shown below and to pay certain non-construction costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (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 review by the District's auditor.

**I. CONSTRUCTION COSTS**

Construction Costs, engineering, materials testing, geotechnical and storm water pollution prevention for:	
Water, sewer and drainage facilities to serve Bonterra at Cross Creek Ranch Section 2.....	\$ 419,595
Water, sewer and drainage facilities to serve Bonterra at Cross Creek Ranch Section 6.....	261,980
Water, sewer and drainage facilities to serve the Brooks at Cross Creek Ranch Section 2.....	307,264
Water, sewer and drainage facilities to serve Willows at Cross Creek Ranch Section 1.....	227,374
Water, sewer and drainage facilities to serve West Cross Creek Bend Lane Extension No. 3.....	254,677
Water, sewer and drainage facilities to serve the Brooks at Cross Creek Ranch Section 3.....	236,729
Contingencies.....	11,836
Engineering.....	272,923
Storm Water Pollution Prevention Plan Management.....	368,488
Materials Testing.....	68,866
Geotechnical.....	9,048
Advertisement.....	890
	<b>\$ 2,439,670</b>
<b>Total Construction Costs.....</b>	<b>\$ 2,439,670</b>
<b>Less Surplus Construction Funds.....</b>	<b>\$ (561,385)</b>
<b>TOTAL CONSTRUCTION COST.....</b>	<b>\$ 1,878,285</b>

**II. NON-CONSTRUCTION COSTS**

Legal Fees.....	\$ 72,000
Financial Advisor Fees.....	48,000
Interest.....	
Developer Interest (Estimated at 5%).....	132,653
BAN Interest.....	62,000
Bond Discount.....	67,806
Bond Issuance Expenses.....	35,244
TCEQ Bond Issuance Fee (0.25%).....	6,000
Bond Anticipation Note Issuance Expense.....	51,418
Bond Application Report Cost.....	40,000
Attorney General Fee (0.1%).....	2,400
Contingency (a).....	4,194
	<b>\$ 521,715</b>
<b>Total Non-Construction Costs.....</b>	<b>\$ 521,715</b>
<b>TOTAL BOND ISSUE.....</b>	<b>\$ 2,400,000</b>

(a) Represents surplus funds resulting from the sale of the Bonds at a lower Bond Discount than estimated and can be used for purposes allowed and approved by the TCEQ.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

## CROSS CREEK RANCH DEVELOPMENT

The District is part of a development project known as Cross Creek Ranch covering approximately 3,200 acres of land and planned for approximately 5,500 to 6,000 single-family homes. The Cross Creek Ranch project consists of five municipal utility districts: Fort Bend County Municipal Utility District No. 169 (“No. 169”), the District, Fort Bend County Municipal Utility District No. 171 (“No. 171”), Fort Bend County Municipal Utility District No. 172 (“No. 172”), and Fort Bend County Municipal Utility District No. 173 (“No. 173”). No. 169 in its capacity as a participant district, No. 171, No. 172, No. 173, and the District are referred to herein collectively as the “MUD Participants.” No. 169, in its capacity as Master District, provides regional wastewater collection and treatment facilities; water supply and delivery facilities; detention/drainage facilities; park/recreational facilities; and road facilities that are arterial, collector, or thoroughfare roads; certain of which are then accepted by the City for operation and maintenance.

### THE DISTRICT

#### **General**

The District is a municipal utility district created by order of the TCEQ on August 22, 2007. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the provision of parks and recreational facilities. The District is also empowered to construct thoroughfare, arterial and collector roads and improvements in aid thereof. (All of such District water, sewer and drainage facilities are referred to herein as “District Facilities.”) The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District, pursuant to the City’s resolution consenting to the creation of the District (the “City’s Consent Resolution”), is required to observe certain requirements of the City which (1) limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road, and fire-fighting facilities, (2) limit the net effective interest rate on such bonds and other terms of such bonds, (3) require approval by the City of District construction plans (except for park/recreational facilities), and (4) permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of facilities constructed by the District are subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

#### **Utility Agreement with the City**

The District operates pursuant to a Utility Agreement between the City and the District dated as of November 11, 2009, as amended (the “Utility Agreement”). The Utility Agreement terminates November 11, 2045, unless otherwise previously terminated pursuant to the terms of the Utility Agreement. Pursuant to the Utility Agreement, the District has agreed to acquire and construct, for ultimate conveyance to the City, the water distribution, wastewater collection and certain drainage facilities to serve development occurring within the boundaries of the District (the “District Utility Facilities”) and the City has agreed to make annual tax rebate payments (as described herein) to the District in consideration of the District’s financing, acquisition, and construction of the District Utility Facilities. See “UTILITY AGREEMENT—Tax Rebate.”

*The District Facilities:* The Utility Agreement provides that the District Utility Facilities will be designed and constructed in accordance with the City’s requirements and criteria. See “THE SYSTEM”.

*Authority of District to Issue Bonds:* The District has the authority to issue, sell, and deliver bonds as permitted by law and the City’s Consent Resolution. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

*Ownership, Operation, and Maintenance of the District Utility Facilities:* Upon completion of construction of the District Utility Facilities, the District agrees to convey the District Utility Facilities to the City, reserving for itself a security interest in the District Utility Facilities for the purpose of securing the performance of the City under the Utility Agreement. When all bonds issued by the District to acquire and construct the applicable District Utility Facilities have been paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the District Utility Facilities without such encumbrance. As each phase of the District Utility Facilities is completed, the City agrees to inspect the same and upon approval, will accept the District Utility Facilities for operation and maintenance. From then on, the District Utility Facilities shall be operated and maintained by the City at its sole cost and expense. Initially, the City will operate the District Utility Facilities by contracting with a qualified third-party company, and at such time as the land within the MUD Participants has more than 3,000 connections, the City is authorized by the Utility Agreement to independently operate the District Utility Facilities. While there are now more 3,000 connections, the City has not elected to independently operate the District Utility Facilities and has contracted with Inframark, Inc. to operate the District Utility Facilities.

The City fixes rates and charges for customers of the District Utility Facilities for services afforded by the District Utility Facilities, provided that such rates and charges will not exceed the rates charged other users within the City and subject to certain restrictions, including (among others): (1) the City water and sewer rates will be set at a rate that only provides sufficient income to operate, maintain and insure the District Utility Facilities and to establish and maintain an operating reserve of not more than 12 months; (2) the City water and sewer rates will not include any component attributable to debt service on City bonds; and (3) the revenues from the District Utility Facilities will be maintained in a separate City account and used solely for the purpose of operating, maintaining and insuring the District Utility Facilities and will not be used for any other purpose. The City may charge the builders within the District a tap fee and inspection charges, provided that such fees do not exceed the tap fees and inspection fees charged by Cinco Southwest Municipal Utility District No. 1, a nearby utility district, for similar taps. Other than water and sewer rates and tap fees, the City may not impose any additional fee or charge (including a capital recovery fee) on users of the District Utility Facilities. The District is not entitled to any water and sewer charges, tap fees, or any other revenue from the District Utility Facilities, as all of same belongs exclusively to the City.

Tax Rebate: The Utility Agreement provides that the City will annually rebate to the District all of the City's ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value (the "Tax Rebate"). Per the Utility Agreement, the Tax Rebate shall be made each year following the year the District issues its first series of unlimited tax bonds and shall continue for 30 years from the year after the year the District first issues unlimited tax bonds. The District issued its first series of unlimited tax bonds in 2014. The District received the first rebate payment from the City in March, 2015. The City will pay the rebate portion of the taxes actually collected to the District on February 28<sup>th</sup> of the year following the year in which the taxes are levied and quarterly thereafter until the Tax Rebate has been paid in full. The Utility Agreement provides that the Tax Rebate shall be used by the District to pay for the design and construction of water, sewer, drainage, road and recreational facilities, or to pay debt service on outstanding bonds issued by the District, or to pay the District's contractual obligation to No. 169 (as Master District) to pay a portion of the debt service on Contract Revenue Bonds issued to finance regional facilities. The Utility Agreement does not require the District to pledge the Tax Rebate for payment of bonds or for any other purpose. The Tax Rebate, like all provisions of the Utility Agreement, is subject to modification by agreement of the District and the City.

Dissolution of the District: The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law. The Utility Agreement provides, however, that the District shall not be abolished until (1) the Developers have fully developed 90% of their developable acreage within the District; (2) the remaining 10% developable acreage owned by the Developers has had water, sewer and drainage facilities installed which are necessary to serve the area; and (3) the Developers have been fully reimbursed by the District, in accordance with TCEQ rules, for all of the Developers' eligible development and construction costs.

### **Description and Location**

The District consists of approximately 848 acres of land. The District is located in Fort Bend County approximately 31 miles west of the central downtown business district of the City of Houston. The District lies wholly within the city limits of the City and within the boundaries of Lamar Consolidated Independent School District. The District is located north of FM 1093 and west of FM 1463. See "AERIAL LOCATION MAP."

## Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

<i><u>Single Family Residential</u></i>	<b>Approximate</b>	
	<u>Acres</u>	<u>Lots</u>
Lakes of Cross Creek Ranch Section 1	27	67
Lakes of Cross Creek Ranch Section 2	26	37
Lakes of Cross Creek Ranch Section 3	13	34
The Pond at Cross Creek Ranch	21	68
Bonterra at Cross Creek Ranch Section 1	14	8
Bonterra at Cross Creek Ranch Section 2	13	57
Bonterra at Cross Creek Ranch Section 3	11	37
Bonterra at Cross Creek Ranch Section 4	21	83
Bonterra at Cross Creek Ranch Section 5	12	53
Bonterra at Cross Creek Ranch Section 6	22	41
The Brooks at Cross Creek Ranch Section 1	30	106
The Brooks at Cross Creek Ranch Section 2	10	39
The Brooks at Cross Creek Ranch Section 3	48	146
Willows at Cross Creek Ranch Section 1	<u>9</u>	<u>74</u>
Total Developed	277	850
Bonterra Recreation Center	4	
Potential Future Development	287	
Non-Developable (a)	<u>280</u>	
	848	

(a) Includes public rights-of-way, detention, open spaces, easements, recreation and utility sites.

## Status of Development

Development within the District currently includes the residential subdivisions shown above under “Land Use”. As of August 23, 2018, there were 391 homes completed and occupied in the District, 20 homes completed, but unoccupied, 100 homes under construction (84 of which are sold and 16 of which are for sale) and 339 developed lots available for home construction. Homes constructed within the District range in price from approximately \$240,000 to \$1,000,000 (including the lot). There is also a recreation center located on approximately 4 acres of land in Bonterra Section 1.

## Homebuilding

Darling Homes, Taylor Morrison Homes, Perry Homes, Chesmar Homes, Partners in Building and Sitterle Homes are building homes in the District, which range in sales price from approximately \$220,000 to \$1,000,000 pursuant to lot sales contracts with one or more of the Developers. Homebuilders in the District contract directly with one of the Developers and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

## **Recreational Facilities**

Recreational amenities within Cross Creek Ranch include the Cross Creek Fitness Center, a 6,500 square foot fitness center operated by Risher Fitness Management, Inc. The Adventure Island Water Park includes a pool, a splash pad, a wading pool and a water slide. The Adventure Island Water Park and Cross Creek Fitness Center are located in No. 171. The recreational complex also includes a 70 foot observation tower and the Italian Maid Café. The Canine Commons Dog Park, Flewellen Creek Pool, and Pine Park have been constructed in No. 172. A recreation center has been constructed in No. 170 for the Bonterra subdivision. The master plan for Cross Creek Ranch currently includes over 400 acres of green space, including hundreds of acres of lakes and trails that flow through the community along the Flewellen Creek, which plan may be amended from time to time.

## **Future Development**

Approximately 287 developable acres of land in the District are not yet fully served with water, sewer and drainage facilities necessary for the construction of above-ground improvements. While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The Engineer has stated that under current development plans, the remaining principal amount of authorized but unissued bonds for water, sewer and drainage facilities and refunding of same (\$114,940,000) should be sufficient to finance the construction of facilities to complete the District's water, sewer and drainage system for full development of the District. See "INVESTMENT CONSIDERATIONS" and "THE SYSTEM."

## **THE DEVELOPERS**

### **Role of a Developer**

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Neither CCR Texas, CCR Subsidiary nor any of their affiliates, are obligated to pay principal of or interest on the Bonds. Furthermore, neither CCR Texas nor CCR Subsidiary have a binding commitment to the District to carry out any plan of development and each of the Developers may sell or otherwise dispose of its property within the District, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective Bond 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 boundaries of the District. See "INVESTMENT CONSIDERATIONS."

Prospective Bond purchasers should note that any prior real estate experience discussed below of the Developers should not be construed as an indication that further development within the District will occur, or that 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. See "INVESTMENT CONSIDERATIONS."

### **CCR Texas Holdings LP and CCR Loan Subsidiary 1, L.P.**

On April 12, 2012, CCR Texas Holdings LP, a Delaware limited partnership ("CCR Texas") with Johnson/CCR GP, LLC as its general partner, purchased Cross Creek Ranch, consisting of approximately 2,370 acres of land and 88 lots. CCR Texas financed its acquisition of Cross Creek Ranch with combined loans totaling \$90,000,000 from CCR Texas Lender Inc. and PSPIB-CCR Inc. The combined balance of the loans was \$25,038,982 as of September 30, 2017 and the loans mature on December 31, 2019.

In 2013, CCR Texas transferred approximately 423 acres in Cross Creek Ranch to its wholly owned subsidiary, CCR Loan Subsidiary 1, L.P. ("CCR Subsidiary"). Subsequently, CCR Texas transferred an additional 710 acres in Cross Creek Ranch to CCR Subsidiary.

CCR Texas and CCR Subsidiary are financing the development of Cross Creek Ranch through a combination of equity funds and a development loan. CCR Subsidiary has a revolving development loan in the amount of \$25,000,000 with Housing Capital Company, a division of US Bank. The loan is secured by CCR Subsidiary's real estate, plus certain utility district development reimbursables. The loan matures on June 2, 2019, and as of September 30, 2017, had a balance of \$2,694,992.

Johnson CCR Management LLC, an affiliate of The Johnson Development Corp. ("Johnson Development") is the development manager of CCR Texas. Johnson Development is a Houston-based residential and commercial land development company. For more than forty years, Johnson Development has developed master-planned communities in Houston, Atlanta, San Antonio and other markets. Johnson Development engages in development activities through itself and related entities.



## MANAGEMENT OF THE DISTRICT

### **Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. Two board members reside within the District and three of the board members own land within the District subject to a note and deed of trust in favor of CCR Texas. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
CJ McDaniel	President	May 2022
Lisa Johns	Vice President	May 2020
Cindy Morrow	Secretary	May 2020
Kela Sumrall	Assistant Secretary	May 2020
Stephen Burke	Assistant Vice President	May 2022

### **District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

**Bond Counsel/Attorney:** The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's Bonds. The legal fees to be 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.

**Financial Advisor:** Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

**Auditor:** The District's financial statements for the year ended September 30, 2017, were audited by McGrath & Co. PLLC. See "APPENDIX A" for a copy of the District's September 30, 2017 financial statements. McGrath & Co., PLLC has been engaged to prepare the District's financial statements for fiscal year ended September 30, 2018.

**Engineer:** The District's consulting engineer is BGE, Inc.

**Bookkeeper:** The District has contracted with F. Matuska, Inc. (the "Bookkeeper") for bookkeeping services.

**Utility System Operator:** The operator of the City's water and sewer facilities which serve the District, including those facilities conveyed to the City by the District, is Inframark Inc. ("Inframark").

**Tax Appraisal:** The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

**Tax Assessor/Collector:** The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

**Disclosure Counsel:** The District has engaged McCall, Parkhurst & Horton, L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

## THE SYSTEM

### The Master District

The Master District provides regional water, sanitary sewer, drainage, park/recreational, and road facilities that are arterial, collector, or thoroughfare roads (collectively, the “Master District Facilities”) necessary to serve (i) the Cross Creek Ranch project, an approximately 3,200 acre master planned community, including the District, (ii) an approximately 71 acre tract and (iii) an approximately 23 acre tract (collectively, the “Service Area”), including the District. The District and the other MUD Participants have executed the Master District Contract. By execution of the Master District Contract, all of the MUD Participants, including the District, will be obligated to pay a pro rata share of annual debt service on the contract revenue bonds issued by the Master District to finance the Master District water, sewer, drainage and road facilities (the “Contract Revenue Bonds”) based upon the certified gross assessed valuation of each district. The MUD Participants are further required to pay Park Connection Fees. Each MUD Participant will sell its own bonds (or use other legally available funds) to finance Master District Park Connection Fees. The outstanding principal amount of park bonds issued by any MUD Participant is limited to one percent (1%) of the value of the taxable property in that district. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

With the exception of Master District Park Facilities, the Master District Facilities have been and will be financed with the proceeds of Contract Revenue Bonds to be issued by the Master District. The Master District is authorized pursuant to the Master District Contract to issue Contract Revenue Bonds in the principal amount of \$483,000,000 for water, sewer and drainage facilities (and for the purpose of refunding same) and in the principal amount of \$121,450,000 for road facilities (and for the purpose of refunding same). Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount, and/or such \$121,450,000 authorized amount. Out of such \$483,000,000 authorization, the Master District has issued eight series of Contract Revenue Bonds (Water, Sewer and Drainage Facilities) in the aggregate principal amount of \$74,605,000 and one series of Contract Revenue Refunding Bonds in the aggregate principal amount of \$2,455,000. The Master District expects to issue additional Contract Revenue Bonds (Water, Sewer and Drainage Facilities) in the principal amount of \$23,000,000 in December 2018. Out of the \$121,450,000 authorization for road facilities, the Master District has issued four series of Contract Revenue Bonds (Road Facilities) in the aggregate principal amount of \$36,470,000 and expects to issue a series of Contract Revenue Bonds (Road Facilities) in the amount of \$5,570,000 in November 2018.

The District's pro rata share of the debt service requirements on the Contract Revenue Bonds is determined annually by dividing the District's certified gross appraised value by the cumulative total of the certified gross appraised values of all the MUD Participants. The Master District Contract obligates the District to pay its pro rata share of annual debt service requirements on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose (“Contract Tax”), revenues, if any, derived from the operation of the District's water distribution and wastewater collection system or from any other legally available funds of the District. See “INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes”, and “TAX DATA—Contract Tax.” Since the District's water distribution and wastewater collection system are required to be conveyed to the City pursuant to the Utility Agreement between the District and the City, it is not expected that the District will have any revenues from such system. See “THE DISTRICT—Utility Agreement with City.”

The Master District Contract originally authorized the Master District to pay the capital costs of designing and constructing the Master District Park Facilities through either: (1) issuance of contract revenue bonds in a principal amount not to exceed \$237,440,000 to pay for Master District Park Facilities and refund bonds issued for Master District Park Facilities, all of which bonds would be payable from and secured by the MUD Participants' unconditional obligation to make payments to the Master District from the proceeds of ad valorem taxes levied by the MUD Participants, or (2) Park Connection Fees imposed by the Master District on each MUD Participant based on the number of connections reserved by a MUD Participant. In January, 2012, each MUD Participant executed an amendment to the Master District Contract providing that the Master District will fund Master District Park Facilities through such Park Connection Fees to be paid by each MUD Participant (including the District). Accordingly, the Master District is not authorized to issue any of said \$237,440,000 for contract revenue bonds to fund Master District Park Facilities unless the Master District Contract is amended by the MUD Participants in the future to allow it to do so. The Master District Contract provides that the Master District will compute Park Connection Fees on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area minus the Park Connection Fees which have been previously paid to the Master District, and dividing the result by the number of estimated total connections to be constructed within the Service Area minus the number of connections for which Park Connection Fees have been previously paid to the Master District. Each MUD Participant may issue bonds, or use other legally available funds, to pay for Park Connection Fees. In no event will a MUD Participant owe an amount for Park Connection Fees (whether paid by bond proceeds of the MUD Participant or other available funds) that exceeds any legal limit that would apply if the MUD Participant were to fund its obligation to pay for Park Connection Fees solely through the issuance of bonds. Under Section 49.4645 of the Water Code, the outstanding principal amount of bonds issued by any MUD Participant to finance park/recreational facilities payable from any source may not exceed an amount equal to one percent of the value of the taxable property in that district. Park Connection Fees are generally due from each MUD Participant to the Master District at the time a MUD Participant reserves capacity in the Master District Facilities; however, no Park Connection Fees are due until a MUD Participant's certified taxable value exceeds \$100,000,000. The Master District Contract allows the Master District to delay the due date for Park Connection Fees from a MUD Participant until such time as that MUD Participant has sufficient bond funds available to pay same. The Master District may refuse to allow a MUD Participant to receive additional connections in the Master District Facilities if the MUD Participant fails to pay the Master District the Park Connection Fees. For the purpose of funding Park Connection Fees, the Master District may require that each MUD Participant file one or more bond applications with the TCEQ no later than the date that 75% of the above-ground improvements within the MUD Participant have been constructed or are under construction.

The Master District Facilities will be constructed in stages to meet the needs of the Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide regional water, sanitary sewer and drainage facilities, each of the other MUD Participants, has the right pursuant to the Master District Contract to design, acquire, construct, or expand such facilities to provide service to such MUD Participant, and convey such facilities to the Master District in consideration of payment by the Master District of the actual reasonable and necessary capital costs expended by such MUD Participant for such facilities.

The District is further obligated to pay monthly charges for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from regional park/recreational, non-potable water, detention pond, and drainage ditch facilities and service from any regional water, sanitary sewer, storm sewer, or road facilities that are not being fully operated or maintained by the City. The monthly charges will be used to pay the District's share of Master District operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The District's share of operation and maintenance expenses and reserve requirements is based upon a unit cost of operation and maintenance expense and reserve requirements, calculated and expressed in terms of cost per equivalent single-family residential connection. The District's monthly payment for operation and maintenance expenses is calculated by multiplying the number of equivalent single-family residential connections reserved to the District on the first day of the previous month by the unit cost per equivalent single-family residential connection. See "DISTRICT OPERATIONS."

Pursuant to the Master District Contract, the District is obligated to levy and collect a continuing direct ad valorem tax on all taxable property within the boundaries of the District in amounts that are sufficient, together with funds received from any other lawful sources, at all times to pay the District's obligations pursuant to the Master District Contract, including the District's pro rata share of the Master District's annual debt service requirements and monthly charges. All sums payable by the District pursuant to the Master District Contract are to be paid by the District without set off, counterclaim, abatement, suspension or diminution.

Each MUD Participant, including the District, will be obligated severally, but not jointly, to make payments to the Master District in an amount sufficient to pay its pro rata share of the annual debt service requirements on Contract Revenue Bonds issued by the Master District and other amounts due under the Master District Contract (the "Contract Payments"). No MUD Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other MUD Participant; however, lack of payment by any MUD Participant could result in an increase in the Contract Payment amount paid by each of the other MUD Participants, including the District, during the time that such MUD Participant's payment is delinquent.

## **Master District Facilities**

**Operation of Master District Facilities:** The potable water supply, storm sewer, and wastewater treatment facilities constructed by or on behalf of the Master District are conveyed to the City for operation and maintenance in accordance with the Master District's utility agreement with the City, and all capacity in said facilities is reserved for the Master District. The City currently uses Inframark Inc. to operate such facilities. Each MUD Participant's customers are billed by the City for water and sewer service. See "THE DISTRICT—Utility Agreement With The City."

**Water Supply:** The potable water supply facilities constructed by or on behalf of the Master District and being operated by the City ("Water Supply Facilities") currently consist of two water plants. Water Plant No. 1 consists of a 1,500 gallons per minute ("gpm") water well and one 1,000 gpm water well; 840,000 gallons of ground storage capacity; 9,300 gpm of booster pump capacity; pressure tank capacity of 60,000 gallons and all related appurtenances. Water Plant No. 2 consists of a 1,650 gpm water well, 860,000 gallons of ground storage capacity, pressure tank capacity of 60,000 gallons, 4,900 gpm booster tank capacity and all related appurtenances. The major components of the Master District's Water Supply Facilities have the capacity to serve approximately 4,831 equivalent single-family connections ("ESFCs"). According to the District's Engineer, the Master District has reserved capacity for 4,926 ESFCs (850 allocated to the District) and 3,658 active ESFCs (approximately 495 within the District) are being served by the Water Supply Facilities.

In order to fully provide water supply to the Service Area, the Water Supply Facilities will need to be expanded from time to time to meet the demand for such facilities. By reserving capacity, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active. Water Plant No. 3 is currently under construction and completion is expected in the third quarter of 2019.

The Master District owns and operates non-potable water pump stations and waterlines used for irrigation purposes within the Service Area.

**Wastewater Treatment:** The wastewater treatment facilities installed by or on behalf of the Master District and being operated by the City ("Wastewater Treatment Facilities") consist of one leased plant (the "Leased Wastewater Plant") with a total capacity of 500,000 gallons per day ("gpd") and a permanent plant with a capacity of 1,000,000 gpd (the "Permanent Wastewater Plant"). The City has assumed certain rights and obligations under the lease for the Leased Wastewater Plant. The Master District remains obligated to pay the lease payment for the Leased Wastewater Plant, which is currently \$13,000 per month. Such lease cost is included in the Master District's operation and maintenance expenses and therefore shared by all MUD Participants that have reserved ESFCs. Current wastewater treatment capacity of the Wastewater Treatment Facilities will serve 8,333 ESFCs. According to the District's Engineer, the Master District has reserved capacity for 4,926 ESFCs (850 allocated to the District) and approximately 3,131 active ESFCs (approximately 391 within the District) are being served by the Wastewater Plant.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the demand for such facilities. By reserving capacity, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

**Major Water Distribution and Wastewater Collection:** Major water distribution facilities consist of waterlines ranging in size from 12-inch to 24-inch, generally located within easements or rights-of-way. These water distribution facilities supply water from the Water Supply Facilities to the internal facilities constructed by or on behalf of each MUD Participant. The major wastewater collection facilities include sanitary sewer lines ranging in size from 10-inch to 36-inch generally located within easements or rights-of-way of collector roads, arterial roads and major thoroughfares. These collection lines collect waste from the internal facilities constructed by or on behalf of each MUD Participant and transport it to the Wastewater Treatment Facilities. These potable water distribution and wastewater collection lines are conveyed to the City for operation and maintenance in accordance with the Utility Agreement.

**Master Drainage:** The Master District also provides the Service Area with drainage facilities designed for a 100-year storm event. These facilities include drainage channels, detention ponds, water quality ponds and conveyance storm sewer lines. Conveyance storm sewer lines are conveyed to the City for operation and maintenance in accordance with the Utility Agreement. Drainage channels, detention ponds, and water quality ponds are not conveyed to the City, and the Master District is responsible for operation and maintenance thereof.

**Road System:** The Master District is constructing Master District Road Facilities. To date, the City has accepted the Master District Road Facilities for operation and maintenance. In the event the City were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District's operation and maintenance expenses to be shared by all MUD Participants based on the number of equivalent single-family connections reserved by each MUD Participant, and such cost could be significant.

**Master Park Facilities:** The Master District is constructing Master District Park Facilities. The Master District will be responsible for the cost of operation and maintenance of same, which costs are shared by all MUD Participants based on the number of equivalent single-family connections reserved by each MUD Participant.

Financing of Facilities: According to the District’s Engineer, the Contract Revenue Bonds that the Master District is authorized to issue pursuant to the Master District Contract in the principal amount of \$483,000,000 for water, sewer and drainage facilities (and for the purpose of refunding same) and in the principal amount of \$121,450,000 for road facilities (and for the purpose of refunding same) are sufficient to complete acquisition and construction of the Master District’s water, sewer and drainage facilities and the Master District’s road facilities, respectively.

### **Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve 850 single-family residential lots and a 4-acre recreation center.

Each MUD Participant, including the District, will construct the internal water distribution, wastewater collection and storm drainage lines within its respective boundaries and upon acquisition and completion, each respective MUD Participant will transfer ownership of the internal water distribution, wastewater collection and storm drainage lines to the City for operation and maintenance. The internal facilities will be financed with unlimited tax bonds sold by each MUD Participant.

### **Storm Water Drainage Facilities and Flood Plain**

Undeveloped land in the District drains naturally by way of overland sheet flow to Flewellen Creek. Internal storm-water collection lines are constructed for drainage system improvements to serve the District’s development as each subdivision is developed. The District’s storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers. This storm sewer system will serve the entire District’s drainage area and convey flows to several storm water detention basins owned and maintained by the Master District. The detention basins ultimately drain to Flewellen Creek.

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, no areas in the District are located within the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events.”

The Federal Emergency Management Agency is in a process to remap the Special Flood Hazard Area (SFHA) (commonly referred to as the 100-year flood plain elevation) and create a new digital Flood Insurance Rate Map (DFIRM) in Fort Bend County. Preliminary DFIRM maps have been released, and no changes were made to the 100-year flood plain within the District. The Preliminary Flood Insurance Study report is subject to public comment, revisions and changes. Although no changes are anticipated within the District, if the final study concludes that the level of the 100-year flood plain is substantially higher than current standards, land currently mapped outside the floodplain could be remapped inside the floodplain and remedial actions may be required that could have a material adverse impact on the District. Remedial actions could require the removal of property from the floodplain by way of channel or other improvements and the issuance of additional debt by the District.

### **Subsidence and Conversion to Surface Water Supply**

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The City’s authority to pump groundwater from water wells conveyed to the City by the Master District is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2005, the Texas legislature created the North Fort Bend Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The water wells conveyed by the Master District to the City are included within the Authority’s GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the City for groundwater pumped by the City), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the City, to convert from groundwater to surface water. The Authority currently charges the City, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the City and the amount, if any, of surface water received from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty (currently \$6.50 per 1,000 gallons) ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the City. If the City failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the City.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates that the City will pass such fees through to City customers (including customers within the District's boundaries). In addition, conversion to surface water could necessitate improvements to the water system conveyed to the City which could require the issuance of additional bonds by the District or the Master District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

### **Regulation**

Construction and operation of the District Facilities and the Master District Facilities as they now exist or as they may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District and the Master District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County and the City of Fulshear also exercise regulatory jurisdiction over the District Facilities and the Master District Facilities.

**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

2018 Certified Taxable Assessed Valuation.....	\$169,263,901 (a)
Estimated Taxable Assessed Valuation as of August 1, 2018 .....	\$190,283,793 (b)
Gross Direct Debt Outstanding (after the issuance of the Bonds) .....	\$12,085,000
Estimated Overlapping Debt .....	<u>26,125,989 (c)</u>
Gross Direct Debt and Estimated Overlapping Debt .....	\$38,210,989
Ratios of Gross Direct Debt to:	
2018 Certified Taxable Assessed Valuation .....	7.14%
Estimated Taxable Assessed Valuation as of August 1, 2018 .....	6.35%
Ratios of Total Gross Direct Debt and Estimated Overlapping Debt to:	
2018 Certified Taxable Assessed Valuation .....	22.57%
Estimated Taxable Assessed Valuation as of August 1, 2018 Valuation .....	20.08%

- (a) As certified by the Appraisal. See "TAXING PROCEDURES."  
 (b) As estimated by the Appraisal District as of August 1, 2018, for informational purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and therefore this estimate will not be the basis for any tax levy by the District. The 2018 Certified Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2018 to August 1, 2018. See "TAXING PROCEDURES."  
 (c) See "ESTIMATED OVERLAPPING DEBT."

**Cash and Investment Balances** (unaudited as of September 5, 2018)

Debt Service Funds Available as of September 5, 2018 .....	\$320,188 (a)
Operating Funds Available as of September 5, 2018 .....	\$82,512
Capital Projects Funds Available as of September 5, 2018 .....	\$841,124
Contract Tax Funds Available as of September 5, 2018 .....	\$129,902

(a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.

**Outstanding Bonds** (as of September 2, 2018)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of September 2, 2018</u>
2014	\$ 4,600,000	\$ 4,300,000
2016	4,200,000	4,050,000
2017	<u>1,335,000</u>	<u>1,335,000</u>
	\$ 10,135,000	\$ 9,685,000

**Short Term Debt**

The District sold a \$1,550,000 Bond Anticipation Note, Series 2018 (the "BAN") on July 11, 2018, with a maturity date of July 10, 2019. The District will use a portion of the proceeds of the Bonds to redeem the BAN prior to maturity. Proceeds from the BAN were used to reimburse the Developers for a portion of certain costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS" herein.

**District Investment Policy**

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

## ESTIMATED OVERLAPPING DEBT

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding		Overlapping	
	Bonds	As of	Percent	Amount
Fort Bend County.....	\$ 591,210,527	9/2/2018	0.20%	\$ 1,167,196
City of Fulshear.....	-	9/2/2018	100.00%	-
Lamar Consolidated Independent School District....	972,270,000	9/2/2018	0.91%	8,878,323
Fort Bend County MUD 169.....	129,470,000 (a)	12/31/2018	12.42%	<u>16,080,470</u>
Total Estimated Overlapping Debt.....				\$ 26,125,989
The District.....	12,085,000 (b)	Current	100.00%	<u>12,085,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 38,210,989
Direct and Estimated Overlapping Debt as a Percentage of:				
2018 Certified Taxable Assessed Valuation of \$169,366,904.....				22.57%
Estimated Taxable Assessed Valuation as of August 1, 2018 of \$190,283,793.....				20.08%

(a) Includes \$5,570,000 Contract Revenue Bonds (Road Facilities), Series 2018 and \$23,000,000 Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2018A expected to be issued in late 2018.

(b) Includes the Outstanding Bonds and the Bonds.

### **Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the taxes levied by the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a summary of taxes levied for the 2018 tax year by all entities overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2018 Tax Rate per \$100 Assessed Valuation
Fort Bend County (a)	\$ 0.46400
Fort Bend County ESD No. 4 (b)	0.10000
City of Fulshear	0.16251
Lamar Consolidated ISD	1.39005
The District	<u>1.33838</u>
Total Overlapping Tax Rate	<u>\$ 3.45494</u>

(a) Includes Fort Bend County Drainage District.

(b) Represents 2017 Tax Rate. 2018 Tax Rate is not available.



## DISTRICT OPERATIONS

### General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds. Since the District conveys its water, sewer, and drainage facilities to the City, it is anticipated that District maintenance tax proceeds will be the sole source of revenue available to the District to pay for District operations.

### General Fund Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Except for unaudited information, such summary is based upon information obtained from the District's audited financial statements. Reference is made to such statements and records for further and more complete information.

	10/1/2017 to 8/31/2018 (a)	Fiscal Year Ended September 30			
		2017	2016	2015	2014
<b>GENERAL FUND</b>					
<b>Revenues</b>					
Property Taxes	\$ 327,120	\$ 295,777	\$ 229,660	\$ 315,822	\$ 160,975
Investment Revenues	1,833	430	257	174	35
<b>Total Revenues</b>	<b>\$ 328,953</b>	<b>\$ 296,207</b>	<b>\$ 229,917</b>	<b>\$ 315,996</b>	<b>\$ 161,010</b>
<b>Expenditures</b>					
Professional Fees	\$ 74,071	\$ 143,124	\$ 45,415	\$ 36,228	\$ 40,082
Contracted Services	10,050	9,790	13,375	18,596	14,247
Master District Fees	251,850	215,550	154,440	81,960	74,160
Administrative	15,446	16,291	14,227	12,551	14,138
Other		359		-	-
<b>Total Expenditures</b>	<b>\$ 351,417</b>	<b>\$ 385,114</b>	<b>\$ 227,457</b>	<b>\$ 149,335</b>	<b>\$ 142,627</b>
<b>Net Revenues</b>	<b>\$ (22,464)</b>	<b>\$ (88,907)</b>	<b>\$ 2,460</b>	<b>\$ 166,661</b>	<b>\$ 18,383</b>
<b>Fund Balance</b>					
<b>Beginning of Period</b>	<b>\$ 167,098</b>	<b>\$ 256,005</b>	<b>\$ 253,545</b>	<b>\$ 86,884</b>	<b>\$ 68,501</b>
<b>Fund Balance End of Period</b>	<b>\$ 144,634</b>	<b>\$ 167,098</b>	<b>\$ 256,005</b>	<b>\$ 253,545</b>	<b>\$ 86,884</b>

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

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the Outstanding Bonds plus the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2019	\$616,231		\$79,134	\$79,134	\$695,366
2020	701,031		105,513	105,513	806,544
2021	688,344	\$40,000	105,513	145,513	833,856
2022	684,869	40,000	103,313	143,313	828,181
2023	685,394	40,000	101,113	141,113	826,506
2024	679,744	45,000	98,913	143,913	823,656
2025	678,474	45,000	96,438	141,438	819,911
2026	676,196	50,000	93,963	143,963	820,159
2027	672,801	50,000	91,213	141,213	814,014
2028	668,756	55,000	88,463	143,463	812,219
2029	663,670	55,000	85,438	140,438	804,108
2030	657,918	60,000	82,413	142,413	800,330
2031	651,730	60,000	80,013	140,013	791,743
2032	649,570	65,000	77,613	142,613	792,183
2033	641,400	70,000	75,013	145,013	786,413
2034	637,830	70,000	72,213	142,213	780,043
2035	633,660	75,000	69,413	144,413	778,073
2036	628,740	80,000	66,413	146,413	775,153
2037	623,060	80,000	63,213	143,213	766,273
2038	621,180	85,000	60,013	145,013	766,193
2039	618,460	90,000	56,506	146,506	764,966
2040	444,900	95,000	52,794	147,794	592,694
2041	427,450	100,000	48,875	148,875	576,325
2042	-	500,000	44,625	544,625	544,625
2043	-	550,000	23,375	573,375	573,375
<b>Total</b>	<b>\$ 14,651,408</b>	<b>\$ 2,400,000</b>	<b>\$ 1,921,497</b>	<b>\$ 4,321,497</b>	<b>\$ 18,972,904</b>

Maximum Annual Debt Service Requirement (2021) ..... \$833,856  
Average Annual Debt Service Requirements (2019-2043) ..... \$758,916

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS—Maximum Impact on Tax Rate.”

### Contract Tax

The Master District has the authority to issue Contract Revenue Bonds pursuant to the Master District Contract, which was approved by the District’s voters. The pro rata share of the annual debt service requirements on the Contract Revenue Bonds for each MUD Participant, including the District, is determined annually by dividing each MUD Participant’s gross certified assessed value by the total of all of the MUD Participants’ gross certified assessed valuation. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited Contract Tax, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. Since the water distribution and wastewater collection systems of each MUD Participant, including the District, are expected to be conveyed to the City, it is not expected that the MUD Participants will have any revenues from such systems and it is expected that all of such system revenues will belong to the City. The debt service requirement shall include principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrars fees, and all amounts necessary to establish and maintain funds established under the resolution(s) or indenture(s) of trust pursuant to which the Master District’s Contract Revenue Bonds are issued.

### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District’s improvements, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted on November 3, 2009 and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation for maintenance and operation of water, sewer, drainage and park/recreational facilities and \$0.25 for maintenance and operation of road facilities. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and in addition to the Contract Tax. See “Debt Service Tax” and “Contract Tax” above.”

### Historical Tax Rate Distribution

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Service	\$0.36750	\$0.40000	\$0.36000	\$0.35000	\$0.00000	\$0.00000
Contract (a)	\$0.67250	\$0.69500	\$0.69500	\$0.69500	\$0.69500	\$0.70000
Maintenance and Operations	<u>\$0.29838</u>	<u>\$0.24720</u>	<u>\$0.28899</u>	<u>\$0.29426</u>	<u>\$0.62760</u>	<u>\$0.60380</u>
Total	\$1.33838	\$1.34220	\$1.34399	\$1.33926	\$1.32260	\$1.30380

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

### Additional Penalties

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

## Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Tax Year	Net Certified		Total Tax Levy	Total Collections as of August 31, 2018	
	Assessed Valuation (a)	Taxable Tax Rate		Amount	Percent
2013	26,564,657	\$1.30380	346,350	346,350	100.00%
2014	50,322,097	\$1.32260	665,560	665,560	100.00%
2015	78,046,638	\$1.33926	1,045,247	1,045,247	100.00%
2016	102,263,100	\$1.34399	1,374,406	1,374,406	100.00%
2017	123,968,741	\$1.34220	1,663,908	1,658,231	99.66%

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.

## Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation". The following represents the composition of property comprising the 2014 through 2018 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the Estimated Taxable Assessed Valuation as of August 1, 2018 is not available.

	2018	2017	2016	2015	2014
Land	\$63,996,330	\$51,185,200	\$43,510,480	\$34,406,690	\$30,722,050
Improvements	\$108,035,720	\$74,628,160	\$59,687,350	\$45,195,010	\$20,350,600
Personal Property	\$1,418,700	\$1,127,590	\$903,810	\$171,780	\$122,570
Exemptions	<u>(\$4,186,849)</u>	<u>(\$2,972,209)</u>	<u>(\$1,838,540)</u>	<u>(\$1,726,842)</u>	<u>(\$873,123)</u>
Total Certified Valuation	169,263,901	123,968,741	102,263,100	78,046,638	50,322,097

## Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property and the percentage of the 2018 Certified Taxable Assessed Valuation attributable to such property. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2018 is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018 Certified Assessed Valuation</u>	<u>% of Certified Tax Roll</u>
CCR Texas Holdings LP (a)	Land	\$12,108,280	7.15%
CCR Loan Subsidiary 1 LP (a)	Land	8,981,530	5.30%
Taylor Morrison of Texas Inc.	Land and improvements	8,859,700	5.23%
Chesmar Homes Ltd.	Land and improvements	1,740,000	1.03%
Individual	Land and improvements	889,930	0.53%
Individual	Land and improvements	837,240	0.49%
Individual	Land and improvements	800,680	0.47%
Individual	Land and improvements	793,940	0.47%
Individual	Land and improvements	775,500	0.46%
Individual	Land and improvements	773,370	0.46%
		<u>\$ 36,560,170</u>	<u>21.59%</u>

(a) See "THE DEVELOPERS."

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2018 Certified Taxable Assessed Valuation of \$169,263,901 or the Estimated Taxable Assessed Valuation as of August 1, 2018 of \$190,283,793 which is subject to review and adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2019-2043) .....	\$758,916
\$0.48 Tax Rate on 2018 Certified Taxable Assessed Valuation .....	\$771,843
\$0.42 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2018 .....	\$759,232
Maximum Annual Debt Service Requirement (2021).....	\$833,856
\$0.52 Tax Rate on 2018 Certified Taxable Assessed Valuation .....	\$836,164
\$0.47 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2018 .....	\$849,617

The Tax Rebate (currently in the approximate amount of \$0.06251 per \$100 of assessed value) is not included in the calculations set forth above. See "THE DISTRICT—Utility Agreement with the City—Tax Rebate." No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District in the Estimated Taxable Assessed Valuation as of August 1, 2018 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

**Property Tax Code and County-Wide Appraisal District**

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board").

**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; 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 sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain

conditions, the surviving spouse of a disabled veteran who was 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

***Freeport Goods and Goods in Transit Exemptions:*** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

## **Tax Abatement**

Fort Bend County or the City of Fulshear may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the City of Fulshear 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

## **Valuation of Property for Taxation**

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. 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 formally to include such values on its appraisal roll.

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board 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, except as set forth herein with respect to residential homesteads. 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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 continues to accrue during the period of deferral.

### **Rollback of Operation and Maintenance Tax Rate**

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

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". 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 six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collections Limitations and Foreclosure Remedies."

### **The Effect of FIRREA on Tax Collections of the District**

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.



## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations solely of the District and are not obligations of the City of Fulshear, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

### Recent Extreme Weather Events

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

The District constructs for the benefit of and conveyance to the City of Fulshear (the "City"), certain water, wastewater and drainage facilities needed to serve land being developed within the District, and upon conveyance of the facilities to the City, the City assumes responsibility for the operation and maintenance of the facilities. According to the City, the City's water supply and distribution system and wastewater treatment and collection system serving the property within the District's boundaries did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service to the District as a result of Hurricane Harvey. Further according to the Developers, no taxable improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Certain qualified taxpayers, including owners of residential homesteads, located within a natural 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.

### Specific Flood Type Risks

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

*Riverine (or Fluvial) Flood.* Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots which are currently being marketed by the Developers to the builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “THE DISTRICT—Status of Development.”

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 31 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation’s real estate and financial markets could affect development and home-building plans in the District and restrain the growth of or reduce the District’s property tax base.

### **Competition**

The demand for and construction of single-family homes in the District, which is approximately 31 miles from the central downtown business district of the City of Houston, could be affected by competition from other residential developments including other residential developments located in the western portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

### **Landowner Obligation to the District**

There are no commitments from or obligations of any developer or other landowners to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

### **Overlapping Master District Debt and Contract Tax**

The Master District provides Master District Facilities necessary to serve the Service Area, including the District. By execution of the Master District Contract, each MUD Participant, including the District, is obligated to pay a pro rata share of annual debt service on the Contract Revenue Bonds based upon the certified gross assessed valuation of each of the MUD Participants. See “TAX DATA—Contract Tax” and “—Historical Tax Rate Distribution.”

The Master District is authorized pursuant to the Master District Contract to issue Contract Revenue Bonds in the principal amount of \$483,000,000 for water, sewer and drainage facilities (and for the purpose of refunding same) and in the principal amount of \$121,450,000 for road facilities (and for the purpose of refunding same). Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount and/or such \$121,450,000 authorized amount. The District is obligated to pay its pro rata share of annual debt service on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose (the “Contract Tax”) or from any other lawful source of District income. See “ESTIMATED OVERLAPPING DEBT” and “THE SYSTEM—The Master District.” Out of such \$483,000,000 authorization, the Master District has previously issued eight series of Contract Revenue Bonds (Water, Sewer and Drainage Facilities) in the aggregate principal amount of \$74,605,000 and one series of Contract Revenue Refunding Bonds in the principal amount of \$2,455,000. The Master District expects to issue additional contract revenue bonds for water, sewer and drainage facilities in the principal amount of \$23,000,000 in December 2018. After the issuance of such bonds, the Master District will have an additional \$385,395,000 of Contract Revenue Bonds for water, sewer and drainage purpose (and for the purpose of refunding same) that it is authorized to issue pursuant to the Master District Contract. Out of such \$121,450,000 authorization, the Master District has previously issued four series of Contract Revenue Bonds (Road

Facilities) in the aggregate principal amount of \$36,470,000 and expects to issue an additional \$5,570,000 in principal amount of contract revenue bonds for road facilities in November 2018. After the issuance of such bonds, the Master District will have an additional \$84,980,000 of Contract Revenue Bonds for road facilities (and for purposes of refunding same) that it is authorized to issue pursuant to the Master District Contract. To date, the Developers have advanced certain funds to or for the benefit of the Master District for construction of Master District Facilities. The Master District currently owes such developers in the aggregate approximately \$22,700,000 after the issuance of the \$23,000,000 of water, sewer and drainage contract revenue bonds and the \$5,570,000 road contract revenue bonds are issued.

### **Rebate from the City of Fulshear**

Pursuant to the Utility Agreement between the District and the City of Fulshear, Texas (the “City”), the City is obligated to pay to the District an annual rebate of all of the City’s ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value (the “Tax Rebate”). The Utility Agreement provides that the Tax Rebate shall be used by the District to pay for the design and construction of water, sewer, drainage, road and recreational facilities, or to pay debt service on outstanding bonds issued by the District, or to pay the District’s contractual obligation to the Master District to pay a portion of the debt service on Contract Revenue Bonds issued to finance Master District Facilities. The Utility Agreement does not require the District to pledge the Tax Rebate for payment of bonds or for any other purpose. The Tax Rebate is subject to modification by agreement of the District and the City. The District currently expects to use some or all of the Tax Rebate to pay for debt service on the Outstanding Bonds, the Bonds and future bonds, if any, issued by the District, but not to pledge the tax rebate for such purpose. If the City fails to make the annual payment of the Tax Rebate to the District in a timely manner, the District would likely need to increase its debt service tax rate.

### **Maximum Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2018 Certified Taxable Assessed Valuation is \$169,263,901. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$833,856 (2021) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$758,916 (2019-2043). Assuming no increase or decrease from the 2018 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.52 and \$0.48 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The Estimated Assessed Value as of August 1, 2018 is \$190,283,793. Assuming no increase or decrease from the 2018 Estimated Taxable Assessed Value as of August 1, 2018, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.47 and \$0.42 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See “DEBT SERVICE REQUIREMENTS.” The Tax Rebate (currently in the approximate amount of \$0.06251 per \$100 of assessed value) to be received from the City is not included in the calculations set forth in this paragraph. See “THE DISTRICT – Utility Agreement with the City.”

Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Outstanding Bonds and the Bonds based upon the 2018 Taxable Assessed Valuation or the Estimated Assessed Value as of August 1, 2018, the District can make no representations regarding the future level of assessed valuation within the District. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

### **Nature of District Development and Over 65/Disabled Exemption**

Approximately 185 acres within the District are anticipated to be developed as Bonterra at Cross Creek Ranch, an active adult/retirement community with home ownership restricted to purchasers age 55 or older. Of such 185 acres, approximately 93 acres have been developed as Bonterra at Cross Creek Ranch Sections One through Six. See “THE DISTRICT - Land Use.” Pursuant to Texas law, the District may by its own action, exempt \$3,000 or more of the residential homestead value of persons sixty-five (65) years or older or disabled. Such exemption is to be considered annually, and once authorized may be repealed, decreased or increased by the Board or by a process of petition and referendum. The District may be required to offer such exemption if a majority of voters approve it at an election. The District would be required to call such 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 such exemption 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. Any tax exemption reduces the taxable value and a reduction in taxable value may result in an increase in the tax rate of the District. The District currently grants an exemption for persons 65 years of age or older or disabled in the amount of \$10,000.

Additionally, pursuant to Texas law, the owner of the residential homestead property who is (i) a person sixty-five (65) years of age or older (ii) disabled or (iii) qualified as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of the taxes without penalty during the time of ownership if the resident files an affidavit with the Appraisal District. Such deferral prohibits the filing of a lawsuit to collect delinquent taxes until such time as the taxpayer no longer owns and occupies the property as a residence homestead. If a lawsuit to collect taxes is filed prior to the filing of such an affidavit, the taxpayer may obtain an abatement of such suit until such time as the taxpayer no longer owns and occupies the property as a residential homestead. Taxes and interest continue to accrue against the property and the lien securing such taxes and interest remains in existence during the deferral or abatement period. Because a significant

portion of the District has been, or will be, developed as a retirement community and a substantial proportion of the property owners within the District could be over 65 years of age or older or disabled, it is possible that deferrals and payment installments could significantly delay the collection of property taxes pledged for the payment of principal and interest on the Bonds. A significant amount of deferrals and split payments could require a tax rate increase to compensate for the loss of timely tax revenue needed for the payment of debt service annually. See TAXING PROCEDURES—Levy and Collection of Taxes."

### **Undeveloped Acreage and Vacant Lots**

There are approximately 287 developable acres of land within the District that have not been provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements. In addition, there are 339 vacant developed lots. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT—Land Use—Status of Development."

### **Dependence on Major Taxpayers and the Developers**

The ten principal taxpayers represent \$36,560,170 or approximately 21.59% of the 2018 Certified Taxable Assessed Valuation of \$169,263,901 which represents ownership as of January 1, 2018. CCR Loan Subsidiary 1 LP represents \$8,981,530 or approximately 5.30% of such value and CCR Texas represents \$12,108,280 or approximately 7.15% of such value. If the Developers or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District's Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Debt Service Fund. See "Tax Collections Limitations and Foreclosure Remedies" in this section, "TAXING PROCEDURES—Levy and Collection of Taxes."

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the District to homebuilders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See "THE DEVELOPERS."

### **Operating Funds**

The District's only sources of revenue to pay the operating expenses of the District are advances from CCR Texas and/or CCR Subsidiary, and maintenance tax proceeds. The District's Operating Fund balance at September 5, 2018 was \$82,512. Obtaining and maintaining a positive Operating Fund balance will depend upon one or more of the following: (1) increased amounts of maintenance tax revenue, or (2) developer advances. In the event that funds are not made available by CCR Texas or CCR Subsidiary, the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District's debt service tax and contract tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" and "DISTRICT OPERATIONS – General Fund Statement."

### **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 Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—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 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.

### **Tax Collections Limitations and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

## **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$126,140,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$69,860,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, and \$50,400,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds has been authorized by voters in the District. After issuance of the Bonds, \$114,940,000 principal amount of unlimited tax bonds will remain authorized but unissued for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$68,525,000 principal amount of unlimited tax bonds will remain authorized but unissued for purchasing and constructing parks and recreational facilities and refunding of such bonds, and all of the authorized bonds for purchasing and constructing road facilities and refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. CCR Texas and CCR Subsidiary have expended approximately \$2,245,000 (as of October 1, 2018) for design, construction, engineering and acquisition of District water, wastewater and storm drainage facilities for which they have not been reimbursed.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds (except bonds for road facilities and refunding) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, the outstanding principal amount of bonds, or other obligations, issued to finance parks and recreational facilities may not exceed 1% of the District's taxable value. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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

### **Marketability of the Bonds**

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

### **Continuing Compliance with Certain Covenants**

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

### **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.

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The Underwriter has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## **MUNICIPAL BOND RATING**

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to each issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") for each issue. The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.



## 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 included as APPENDIX B to this OFFICIAL STATEMENT.

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

### **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](http://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](http://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](http://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 the heading “MUNICIPAL BOND INSURANCE.”

### *Additional Information Available from BAM*

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

*Credit Profiles.* Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://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.

## LEGAL MATTERS

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, without 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 (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, (ii) 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,” “THE DISTRICT—General,” “THE DISTRICT—Utility Agreement with the City,” “THE SYSTEM—The Master District,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes 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. Certain legal matters will be passed upon for the District by McCall Parkhurst & Horton, LLP, Houston, Texas, as Disclosure Counsel.

### **No Material Adverse Change**

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement, as amended or supplemented through the date of sale.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

## 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 purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

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

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

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

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the 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 Issuer has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2018 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer 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.

## **REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS**

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets Inc. (the “Initial Purchaser” or “Underwriter”) bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.1748% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.419200% as calculated pursuant to Chapter 1204, Texas Government Code.

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

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

## PREPARATION OF OFFICIAL STATEMENT

### **Sources and Compilation of Information**

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Bookkeeper, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice Of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Consultants**

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has consented to the use of information provided by such firms.

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the water, sewer, and drainage system serving or provided by the District and Master District and certain information included in the sections entitled “THE DISTRICT—Description and Location—Status of Development,” and “THE SYSTEM” has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The District's financial statements for the year ended September 30, 2017, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2017 financial statements.

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Fund as it appears in "DISTRICT OPERATIONS—General Fund Statement" has been provided by F. Matuska, Inc., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

### **Updating the Official Statement**

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

### **Certification of Official Statement**

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB, through its EMMA system. 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," "TAX DATA," "DISTRICT OPERATIONS," "DEBT SERVICE REQUIREMENTS," and in APPENDIX A (Audited Financial Statements of the District and Supplemental Schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2018.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated financial information and operating data will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Specified Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax 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 SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. 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 financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

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

### **Compliance With Prior Undertakings**

Since the issuance of its first series of bonds in 2014, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

**MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 170, as of the date shown on the cover page.

*/s/ CJ McDaniel* \_\_\_\_\_  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 170

ATTEST:

*/s/ Cindy Morrow* \_\_\_\_\_  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 170



**AERIAL PHOTOGRAPH**  
**(Approximate boundaries of the District as of August 2018)**



**FORT BEND COUNTY  
MUNICIPAL UTILITY  
DISTRICT No. 170**



F.M. 1093





**PHOTOGRAPHS OF THE DISTRICT  
(Taken August 2018)**

















**APPENDIX A**

**District Audited Financial Statements for the fiscal year ended September 30, 2017**

EXHIBIT B

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 170**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2017**

## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Basic Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	39
Taxes Levied and Receivable	TSI-4	40
Long-Term Debt Service Requirements by Years	TSI-5	41
Change in Long-Term Bonded Debt	TSI-6	44
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	46
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	48
Board Members, Key Personnel and Consultants	TSI-8	50

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## Independent Auditors' Report

Board of Directors  
Fort Bend County Municipal Utility District No. 170  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 170, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

*Board of Directors  
Fort Bend County Municipal Utility District No. 170  
Fort Bend County, Texas*

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 170, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

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

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

*W.C. Gattner & Co., P.C.*

Houston, Texas  
January 10, 2018

## **Management's Discussion and Analysis**



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*Fort Bend County Municipal Utility District No. 170  
Management's Discussion and Analysis  
September 30, 2017*

### **Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 170 (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 September 30, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 170  
Management's Discussion and Analysis  
September 30, 2017**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at September 30, 2017, was negative \$7,804,188. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	<u>\$ 1,265,386</u>	<u>\$ 1,341,315</u>
Current liabilities	287,562	2,804,278
Long-term liabilities	<u>8,782,012</u>	<u>5,406,002</u>
Total liabilities	<u>9,069,574</u>	<u>8,210,280</u>
Net position		
Restricted	497,906	336,828
Unrestricted	<u>(8,302,094)</u>	<u>(7,205,793)</u>
Total net position	<u>\$ (7,804,188)</u>	<u>\$ (6,868,965)</u>

**Fort Bend County Municipal Utility District No. 170**  
**Management's Discussion and Analysis**  
**September 30, 2017**

The total net position of the District decreased during the current fiscal year by \$935,223. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 1,382,356	\$ 1,052,782
City of Fulshear tax rebate	43,866	37,142
Other	11,187	2,409
Total revenues	<u>1,437,409</u>	<u>1,092,333</u>
Expenses		
Operating and administrative	415,111	248,051
Interest and fees	296,367	178,387
Developer interest	116,299	
Debt issuance costs	346,757	55,760
Contractual obligation	667,842	513,757
Total expenses	<u>1,842,376</u>	<u>995,955</u>
Change in net position before other item	(404,967)	96,378
Other item		
Transfers to other governments	<u>(530,256)</u>	<u>(3,550,049)</u>
Change in net position	(935,223)	(3,453,671)
Net position, beginning of year	<u>(6,868,965)</u>	<u>(3,415,294)</u>
Net position, end of year	<u>\$ (7,804,188)</u>	<u>\$ (6,868,965)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of September 30, 2017, were \$1,258,289, which consists of \$156,432 in the General Fund, \$515,441 in the Debt Service Fund and \$586,416 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 163,488</u>	<u>\$ 259,232</u>
Total liabilities	\$ 7,056	\$ 3,226
Total fund balance	<u>156,432</u>	<u>256,006</u>
Total liabilities and fund balance	<u>\$ 163,488</u>	<u>\$ 259,232</u>

*Fort Bend County Municipal Utility District No. 170  
Management's Discussion and Analysis  
September 30, 2017*

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 286,479	\$ 229,917
Total expenditures	<u>(386,053)</u>	<u>(227,457)</u>
Revenues over (under) expenditures	<u>\$ (99,574)</u>	<u>\$ 2,460</u>

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

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 515,441</u>	<u>\$ 349,950</u>
Total fund balance	<u>\$ 515,441</u>	<u>\$ 349,950</u>

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 1,155,346	\$ 861,362
Total expenditures	<u>(1,068,215)</u>	<u>(785,629)</u>
Revenues over expenditures	87,131	75,733
Other changes in fund balance	<u>78,360</u>	<u>          </u>
Net change in fund balance	<u>\$ 165,491</u>	<u>\$ 75,733</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear tax rebates. During the current year, financial resources also included 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 and contractual obligations to Fort Bend County Municipal Utility District No. 169.

**Fort Bend County Municipal Utility District No. 170**  
**Management's Discussion and Analysis**  
**September 30, 2017**

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 586,457</u>	<u>\$ 732,133</u>
Total liabilities	\$ 41	\$ -
Total fund balance	<u>586,416</u>	<u>732,133</u>
Total liabilities and fund balance	<u>\$ 586,457</u>	<u>\$ 732,133</u>

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

	2017	2016
Total revenues	\$ 4,207	\$ 1,054
Total expenditures	<u>(1,591,564)</u>	<u>(2,497,700)</u>
Revenues under expenditures	(1,587,357)	(2,496,646)
Other changes in fund balance	<u>1,441,640</u>	<u>2,680,000</u>
Net change in fund balance	<u>\$ (145,717)</u>	<u>\$ 183,354</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2016 Unlimited Tax Bonds in the current year and issuance of its Series 2016 Bond Anticipation Note 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 \$10,194 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers 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.

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. For the year ended September 30, 2017,

**Fort Bend County Municipal Utility District No. 170**  
**Management's Discussion and Analysis**  
**September 30, 2017**

capital assets in the amount of \$530,256 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

**Long-Term Debt and Related Liabilities**

As of September 30, 2017, the District owes \$543,332 to developers for completed projects. As discussed in Note 6, the District has an additional commitment in the amount of \$1,197,806 for projects under construction by the developers. As previously mentioned, the District will owe its developers 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 developers from proceeds of future bond issues or other lawfully available funds.

At September 30, 2017 and 2016, the District had total bonded debt outstanding as shown below:

Series	2017	2016
2014	\$ 4,405,000	\$ 4,505,000
2016	4,200,000	
	\$ 8,605,000	\$ 4,505,000

During the year, the District issued \$4,200,000 in unlimited tax bonds. At September 30, 2017, the District had \$117,340,000 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 related refunding purposes; \$69,860,000 for parks and recreational facilities and related refunding purposes; and \$50,400,000 for road improvements and related refunding purposes.

**Next Year's Budget**

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

	2017 Actual	2018 Budget
Total revenues	\$ 286,479	\$ 223,925
Total expenditures	(386,053)	(441,030)
Revenues under expenditures	(99,574)	(217,105)
Other changes in fund balance		110,000
Net change in fund balance	(99,574)	(107,105)
Beginning fund balance	256,006	156,432
Ending fund balance	\$ 156,432	\$ 49,327

*Fort Bend County Municipal Utility District No. 170  
Management's Discussion and Analysis  
September 30, 2017*

**Property Taxes**

The District's property tax base increased approximately \$18,313,000 for the 2017 tax year from \$102,348,600 to \$120,661,793. This increase was primarily due to new construction in the District. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.2472 per \$100 of assessed value, a debt service tax rate of \$0.40 per \$100 of assessed value and a contract tax rate of \$0.695 per \$100 of assessed value, for a total combined tax rate of \$1.3422 per \$100. Tax rates for the 2016 tax year were \$0.28899 per \$100 for maintenance and operations, \$0.36 per \$100 for debt service and \$0.695 per \$100 for contract tax.



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## **Basic Financial Statements**

*Fort Bend County Municipal Utility District No. 170  
Statement of Net Position and Governmental Funds Balance Sheet  
September 30, 2017*

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 88,036	\$ 24,465	\$ -	\$ 112,501	\$ -	\$ 112,501
Investments	48,446	517,772	586,667	1,152,885		1,152,885
Internal balances	27,006	(26,796)	(210)			
Total Assets	<u>\$ 163,488</u>	<u>\$ 515,441</u>	<u>\$ 586,457</u>	<u>\$ 1,265,386</u>		<u>1,265,386</u>
<b>Liabilities</b>						
Accounts payable	\$ 6,630	\$ -	\$ 41	\$ 6,671		6,671
Other payables	426			426		426
Accrued interest payable					25,465	25,465
Due to developers					543,332	543,332
Long-term debt						
Due within one year					255,000	255,000
Due after one year					8,238,680	8,238,680
Total Liabilities	<u>7,056</u>		<u>41</u>	<u>7,097</u>	<u>9,062,477</u>	<u>9,069,574</u>
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		515,441	586,416	1,101,857	(1,101,857)	
Unassigned	156,432			156,432	(156,432)	
Total Fund Balances	<u>156,432</u>	<u>515,441</u>	<u>586,416</u>	<u>1,258,289</u>	<u>(1,258,289)</u>	
Total Liabilities and Fund Balances	<u>\$ 163,488</u>	<u>\$ 515,441</u>	<u>\$ 586,457</u>	<u>\$ 1,265,386</u>		
<b>Net Position</b>						
Restricted for debt service					497,906	497,906
Unrestricted					(8,302,094)	(8,302,094)
Total Net Position					<u>\$ (7,804,188)</u>	<u>\$ (7,804,188)</u>

See notes to basic financial statements.

*Fort Bend County Municipal Utility District No. 170  
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended September 30, 2017*

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 285,929	\$ 1,089,642	\$ -	\$ 1,375,571	\$ -	\$ 1,375,571
Penalties and interest		6,785		6,785		6,785
City of Fulshear tax rebate		43,866		43,866		43,866
Accrued interest on bonds sold		8,623		8,623	(8,623)	
Miscellaneous		250		250		250
Investment earnings	550	6,180	4,207	10,937		10,937
<b>Total Revenues</b>	<b>286,479</b>	<b>1,155,346</b>	<b>4,207</b>	<b>1,446,032</b>	<b>(8,623)</b>	<b>1,437,409</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	143,124		10,251	153,375		153,375
Contracted services	10,640	17,593		28,233		28,233
Master District fees	215,550			215,550		215,550
Administrative	16,739	1,214		17,953		17,953
Capital outlay			1,104,306	1,104,306	(1,104,306)	
Debt service						
Principal		100,000		100,000	(100,000)	
Interest and fees		281,566	13,951	295,517	850	296,367
Developer interest			116,299	116,299		116,299
Debt issuance costs			346,757	346,757		346,757
Contractual obligation		667,842		667,842		667,842
<b>Total Expenditures/Expenses</b>	<b>386,053</b>	<b>1,068,215</b>	<b>1,591,564</b>	<b>3,045,832</b>	<b>(1,203,456)</b>	<b>1,842,376</b>
<b>Revenues Over (Under)</b>						
<b>Expenditures/Expenses</b>	<b>(99,574)</b>	<b>87,131</b>	<b>(1,587,357)</b>	<b>(1,599,800)</b>	<b>1,194,833</b>	<b>(404,967)</b>
<b>Other Financing Sources/Uses</b>						
Proceeds from sale of bonds		78,360	4,121,640	4,200,000	(4,200,000)	
Repayment of bond anticipation note			(2,680,000)	(2,680,000)	2,680,000	
<b>Other Items</b>						
Transfers to other governments					(530,256)	(530,256)
<b>Net Change in Fund Balances</b>	<b>(99,574)</b>	<b>165,491</b>	<b>(145,717)</b>	<b>(79,800)</b>	<b>79,800</b>	
<b>Change in Net Position</b>					<b>(935,223)</b>	<b>(935,223)</b>
<b>Fund Balance/Net Position</b>						
Beginning of the year	256,006	349,950	732,133	1,338,089	(8,207,054)	(6,868,965)
<b>End of the year</b>	<b>\$ 156,432</b>	<b>\$ 515,441</b>	<b>\$ 586,416</b>	<b>\$ 1,258,289</b>	<b>\$ (9,062,477)</b>	<b>\$ (7,804,188)</b>

See notes to basic financial statements.

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*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Fort Bend County Municipal Utility District No. 170 (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 22, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 7, 2008, and the first bonds were sold on December 4, 2014.

The District’s primary activities include the provision of water, sewer and drainage, recreational, and road facilities. As further discussed in Note 10, the District transfers certain of these facilities to the City of Fulshear 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.

*Fort Bend County Municipal Utility District No. 170  
Notes to Basic Financial Statements  
September 30, 2017*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt and the District's contractual obligation to Fort Bend County Municipal Utility District No. 169 (the "Master District"). The primary sources of revenue for debt service are property taxes and City of Fulshear tax rebates. 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 and drainage facilities.

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

**Measurement Focus and Basis of Accounting**

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, City of Fulshear tax rebates and interest earned on investments. 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.

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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.

**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 does not have any nonspendable fund balances.

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 amounts restricted for debt service requirements and the District's contractual obligations to the Master District in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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



*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

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

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds	\$	1,258,289
<p>Certain 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:</p>		
Bonds payable, net	\$	(8,493,680)
Interest payable on bonds		<u>(25,465)</u>
Change due to long-term debt		(8,519,145)
Amounts due to the District's developers for prefunded construction is recorded as a liability in the <i>Statement of Net Position</i> .		(543,332)
Total net position - governmental activities	<u>\$</u>	<u>(7,804,188)</u>

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

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

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

Net change in fund balances - total governmental funds	\$	(79,800)
Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developers in the <i>Statement of Net Position</i> .		1,104,306
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	\$	(4,200,000)
Principal payments		100,000
Repayment of bond anticipation note		2,680,000
Interest expense accrual		(9,473)
		<u>(1,429,473)</u>
The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements. However, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.		(530,256)
Change in net position of governmental activities	<u>\$</u>	<u>(935,223)</u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 3 – Deposits and Investments (continued)**

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, 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 September 30, 2017, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 48,446		
	Debt Service	517,772		
	Capital Projects	586,667		
		\$ 1,152,885	AAA	37 days

**TexPool**

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

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 3 – Deposits and Investments (continued)**

**TexPool (continued)**

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Amounts Due to/from Other Funds**

Amounts due to/from other funds at September 30, 2017, consist of the following:

	Interfund	
	Receivable	Payable
General Fund	\$ 27,006	\$ -
Debt Service Fund		26,796
Capital Projects Fund		210
	<u>\$ 27,006</u>	<u>\$ 27,006</u>

**Note 5 – Bond Anticipation Note**

The District uses a bond anticipation note (BAN) to provide short term financing. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,680,000. This BAN was repaid on December 21, 2016 with proceeds from the issuance of the District’s Series 2016 Unlimited Tax Bonds.

The effect of this transaction on the District’s short term obligations are as follows:

Beginning balance	\$ 2,680,000
Amounts repaid	<u>(2,680,000)</u>
Ending balance	<u>\$ -</u>

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 6 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers 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.

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

Due to developers, beginning of year	\$ 1,117,382
Developer funded construction	530,256
Developer reimbursements	<u>(1,104,306)</u>
Due to developers, end of year	<u>\$ 543,332</u>

In addition, the District will owe the developers approximately \$1,197,806, 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.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Water, sewer, and drainage facilities to serve:			
The Brooks at Cross Creek Ranch, Section 2	\$ 347,367	\$ 273,882	\$ 73,485
Bonterra at Cross Creek Ranch Section 2	506,006	373,554	132,452
Bonterra at Cross Creek Ranch Section 6	344,433	212,292	132,141
	<u>\$ 1,197,806</u>	<u>\$ 859,728</u>	<u>\$ 338,078</u>

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 8,605,000
Unamortized discounts	<u>(111,320)</u>
	<u>\$ 8,493,680</u>
 Due within one year	 <u>\$ 255,000</u>

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 7 – Long-Term Debt (continued)**

The District's bonds payable at September 30, 2017, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 4,405,000	\$ 4,600,000	2.00% - 4.20%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2016	4,200,000	4,200,000	2.00% - 4.30%	September 1, 2018/2041	March 1, September 1	September 1, 2024
	<u>\$ 8,605,000</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 September 30, 2017, the District had authorized but unissued bonds in the amount of \$117,340,000 for water, sewer and drainage facilities and related refunding purposes; \$69,860,000 for park and recreational facilities and related refunding purposes; and \$50,400,000 for road improvements and related refunding purposes.

On December 21, 2016, the District issued its \$4,200,000 Series 2016 Unlimited Tax Bonds at a net effective interest rate of 4.241207%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$2,680,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 4,505,000
Bonds issued	4,200,000
Bonds retired	(100,000)
Bonds payable, end of year	<u>\$ 8,605,000</u>

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 7 – Long-Term Debt (continued)**

As of September 30, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 255,000	\$ 316,121	\$ 571,121
2019	260,000	311,021	571,021
2020	275,000	305,821	580,821
2021	285,000	299,634	584,634
2022	290,000	292,509	582,509
2023	300,000	284,534	584,534
2024	305,000	275,534	580,534
2025	315,000	266,064	581,064
2026	325,000	255,586	580,586
2027	335,000	244,051	579,051
2028	345,000	231,926	576,926
2029	355,000	218,820	573,820
2030	365,000	205,108	570,108
2031	375,000	191,020	566,020
2032	390,000	176,020	566,020
2033	400,000	160,100	560,100
2034	415,000	143,780	558,780
2035	430,000	126,860	556,860
2036	445,000	109,340	554,340
2037	460,000	91,060	551,060
2038	480,000	71,580	551,580
2039	500,000	51,260	551,260
2040	350,000	30,100	380,100
2041	350,000	15,050	365,050
	<u>\$ 8,605,000</u>	<u>\$ 4,672,899</u>	<u>\$ 13,277,899</u>

**Note 8 – Property Taxes**

On November 3, 2009, 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; and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

***Fort Bend County Municipal Utility District No. 170***  
***Notes to Basic Financial Statements***  
***September 30, 2017***

**Note 8 – Property Taxes (continued)**

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$1.34399 per \$100 of assessed value, of which \$0.28899 was allocated to maintenance and operations, \$0.36 was allocated to debt service and \$0.695 was allocated to contract tax. The resulting tax levy was \$1,375,555 on the adjusted taxable value of \$102,348,600.

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Fulshear (the "City"), the District transfers certain facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended September 30, 2017, the total amount of projects completed and transferred to the City was \$530,256.

**Note 10 – Utility Agreement**

On November 11, 2009, the District entered into a Utility Agreement, as subsequently amended, (the "Utility Agreement") with the City of Fulshear (the "City"), for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the "System") to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City, but will reserve a security interest in the System. The Utility Agreement expires on November 11, 2045, which is 30 years from the year after the year the District first issued unlimited tax bonds.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City.

The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement, the City has agreed to rebate to the District all of the City's ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value. The City will continue to pay the tax rebate for 30 years from the year after the year the District first issued unlimited tax bonds. If the City's tax rate is equal to or less than \$0.10 then no tax rebate is due. The City will pay the rebate portion of the taxes actually collected to the District on February 28th of the year following the year in which the taxes are levied and quarterly thereafter until the tax rebate has been paid in full. The amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation and growth rate. Consequently the amounts subject to rebate by the City will vary year to year. During the current year, the District recorded revenues of \$43,866 in rebates from the City.



*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 11 – Master District**

On November 11, 2009, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to, or accepted by, the City of Fulshear (the “City”) pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$215,550 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District will finance park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges will be calculated by the Master District from time to time based on each participating district’s pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District will be obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. As of September 30, 2017, the District’s pro rata share is 9.37%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$667,842 to the Master District for contract tax collections.

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 11 – Master District (continued)**

As of September 30, 2017, the Master District has \$99,205,000 contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2018	\$ 3,105,000	\$ 3,553,491	\$ 6,658,491
2019	3,530,000	3,485,213	7,015,213
2020	3,675,000	3,364,664	7,039,664
2021	3,760,000	3,241,459	7,001,459
2022	3,845,000	3,115,883	6,960,883
2023 - 2027	19,120,000	13,715,031	32,835,031
2028 - 2032	21,960,000	10,177,153	32,137,153
2033 - 2037	25,145,000	5,462,731	30,607,731
2038 - 2042	14,365,000	1,119,478	15,484,478
2043	700,000	12,250	712,250
	<u>\$ 99,205,000</u>	<u>\$ 47,247,353</u>	<u>\$ 146,452,353</u>

The Contract also authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. The Master District shall bill the District an amount calculated by multiplying the monthly fee (as described above) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. The Master District has not yet established the operating and maintenance reserve.

**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.

**Note 13 – Economic Dependency**

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2017*

**Note 14 – Subsequent Events**

On November 8, 2017, the Master District issued its \$8,440,000 Series 2017B Contract Revenue Bonds at a net effective rate of 3.433499%. Proceeds from the bonds were used to reimburse developers for the construction of road facilities to serve the Master District service area.

On December 6, 2017, the District issued its \$1,335,000 Series 2017 Unlimited Tax Park Bonds at a net effective rate of 3.899251%. Proceeds from the bonds were used to pay park construction charges to the Master District for the District's share of regional park and recreational facilities.

**Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 170  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended September 30, 2017*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 243,160	\$ 285,929	\$ 42,769
Investment earnings		550	550
Total Revenues	<u>243,160</u>	<u>286,479</u>	<u>43,319</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	74,000	143,124	(69,124)
Contracted services	11,000	10,640	360
Master District fees	228,450	215,550	12,900
Administrative	19,090	16,739	2,351
Total Expenditures	<u>332,540</u>	<u>386,053</u>	<u>(53,513)</u>
<b>Revenues Under Expenditures</b>	(89,380)	(99,574)	(10,194)
<b>Fund Balance</b>			
Beginning of the year	256,006	256,006	
End of the year	<u>\$ 166,626</u>	<u>\$ 156,432</u>	<u>\$ (10,194)</u>

*Fort Bend County Municipal Utility District No. 170  
Notes to Required Supplementary Information  
September 30, 2017*

**Budgets and Budgetary Accounting**

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

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## Texas Supplementary Information



**Fort Bend County Municipal Utility District No. 170**  
**TSI-1. Services and Rates**  
**September 30, 2017**

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

- |   |   |  |                                     |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage   |
| <input 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 checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)                      |   |  |                                     |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer accepted by the City of Fulshear for operation and maintenance.</u> |   |  |                                     |

2. Retail Service Providers N/A

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

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

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

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.



*Fort Bend County Municipal Utility District No. 170  
 TSI-2 General Fund Expenditures  
 For the Year Ended September 30, 2017*

Professional fees		
Legal	\$	132,877
Audit		9,000
Engineering		1,247
		<u>143,124</u>
Contracted services		
Bookkeeping		<u>10,640</u>
Master District fees		<u>215,550</u>
Administrative		
Directors fees		8,850
Printing and office supplies		1,127
Insurance		4,642
Other		2,120
		<u>16,739</u>
Total expenditures	\$	<u><u>386,053</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170*  
*TSI-3. Investments*  
*September 30, 2017*

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	7946300001	Variable	N/A	\$ 48,446
Debt Service				
TexPool	7946300003	Variable	N/A	400,490
TexPool	7946300004	Variable	N/A	117,282
				<u>517,772</u>
Capital Projects				
TexPool	7946300002	Variable	N/A	<u>586,667</u>
Total - All Funds				<u>\$ 1,152,885</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170*  
*TSI-4. Taxes Levied and Receivable*  
*September 30, 2017*

	Maintenance Taxes	Contract Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -	\$ -
2016 Original Tax Levy	289,632	696,545	360,800	1,346,977
Adjustments	6,145	14,778	7,655	28,578
Adjusted Tax Levy	295,777	711,323	368,455	1,375,555
Tax collections				
Current year	295,777	711,323	368,455	1,375,555
Taxes Receivable, End of Year	\$ -	\$ -	\$ -	\$ -
	2016	2015	2014	2013
Property Valuations				
Land	\$ 43,510,470	\$ 34,406,690	\$ 30,722,050	\$ 22,614,110
Improvements	59,772,860	45,195,010	20,350,600	4,774,480
Personal Property	903,810	171,780	122,570	45,860
Exemptions	(1,838,540)	(1,726,832)	(873,123)	(818,143)
Total Property Valuations	\$ 102,348,600	\$ 78,046,648	\$ 50,322,097	\$ 26,616,307
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.28899	\$ 0.29426	\$ 0.6276	\$ 0.6038
Contract tax rates	0.69500	0.69500	0.6950	0.7000
Debt service tax rates	0.36000	0.35000		
Total Tax Rates per \$100 Valuation	\$ 1.34399	\$ 1.33926	\$ 1.3226	\$ 1.3038
Adjusted Tax Levy	\$ 1,375,555	\$ 1,045,248	\$ 665,560	\$ 347,023
Percentage of Taxes Collected to Taxes Levied **	100.00%	100.00%	100.00%	100.00%

\* Maximum maintenance tax rate approved by voters for water, wastewater, drainage and recreational facilities: \$1.50 on November 3, 2009

\*\* Maximum maintenance tax rate approved by voters for road facilities: \$0.25 on November 3, 2009

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2014--by Years  
 September 30, 2017*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 105,000	\$ 160,901	\$ 265,901
2019	110,000	158,801	268,801
2020	115,000	156,601	271,601
2021	125,000	154,014	279,014
2022	130,000	150,889	280,889
2023	140,000	147,314	287,314
2024	145,000	143,114	288,114
2025	155,000	138,764	293,764
2026	165,000	133,726	298,726
2027	175,000	127,951	302,951
2028	185,000	121,826	306,826
2029	195,000	115,120	310,120
2030	205,000	107,808	312,808
2031	215,000	100,120	315,120
2032	230,000	91,520	321,520
2033	240,000	82,320	322,320
2034	255,000	72,720	327,720
2035	270,000	62,520	332,520
2036	285,000	51,720	336,720
2037	300,000	40,320	340,320
2038	320,000	27,720	347,720
2039	340,000	14,280	354,280
	<u>\$ 4,405,000</u>	<u>\$ 2,360,069</u>	<u>\$ 6,765,069</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2016--by Years  
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 150,000	\$ 155,220	\$ 305,220
2019	150,000	152,220	302,220
2020	160,000	149,220	309,220
2021	160,000	145,620	305,620
2022	160,000	141,620	301,620
2023	160,000	137,220	297,220
2024	160,000	132,420	292,420
2025	160,000	127,300	287,300
2026	160,000	121,860	281,860
2027	160,000	116,100	276,100
2028	160,000	110,100	270,100
2029	160,000	103,700	263,700
2030	160,000	97,300	257,300
2031	160,000	90,900	250,900
2032	160,000	84,500	244,500
2033	160,000	77,780	237,780
2034	160,000	71,060	231,060
2035	160,000	64,340	224,340
2036	160,000	57,620	217,620
2037	160,000	50,740	210,740
2038	160,000	43,860	203,860
2039	160,000	36,980	196,980
2040	350,000	30,100	380,100
2041	350,000	15,050	365,050
	<u>\$ 4,200,000</u>	<u>\$ 2,312,830</u>	<u>\$ 6,512,830</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170  
 TSI-5. Long-Term Debt Service Requirements  
 All Bonded Debt Series--by Years  
 September 30, 2017*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2018	\$ 255,000	\$ 316,121	\$ 571,121
2019	260,000	311,021	571,021
2020	275,000	305,821	580,821
2021	285,000	299,634	584,634
2022	290,000	292,509	582,509
2023	300,000	284,534	584,534
2024	305,000	275,534	580,534
2025	315,000	266,064	581,064
2026	325,000	255,586	580,586
2027	335,000	244,051	579,051
2028	345,000	231,926	576,926
2029	355,000	218,820	573,820
2030	365,000	205,108	570,108
2031	375,000	191,020	566,020
2032	390,000	176,020	566,020
2033	400,000	160,100	560,100
2034	415,000	143,780	558,780
2035	430,000	126,860	556,860
2036	445,000	109,340	554,340
2037	460,000	91,060	551,060
2038	480,000	71,580	551,580
2039	500,000	51,260	551,260
2040	350,000	30,100	380,100
2041	350,000	15,050	365,050
	<u>\$ 8,605,000</u>	<u>\$ 4,672,899</u>	<u>\$ 13,277,899</u>

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 170  
TSI-6. Change in Long-Term Bonded Debt  
September 30, 2017*

	Bond Issue		Totals
	Series 2014	Series 2016	
Interest rate	2.00% - 4.20%	2.00% - 4.30%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/16 - 9/1/39	9/1/18 - 9/1/41	
Beginning bonds outstanding	\$ 4,505,000	\$ -	\$ 4,505,000
Bonds issued		4,200,000	4,200,000
Bonds retired	(100,000)		(100,000)
Ending bonds outstanding	<u>\$ 4,405,000</u>	<u>\$ 4,200,000</u>	<u>\$ 8,605,000</u>
Interest paid during fiscal year	<u>\$ 162,901</u>	<u>\$ 116,415</u>	<u>\$ 279,316</u>
Paying agent's name and city All Series	<u>The Bank Of New York Mellon Trust Company, N.A., Dallas, Texas</u>		

Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 126,140,000	\$ 69,860,000	\$ 50,400,000
Amount Issued	(8,800,000)		
Remaining To Be Issued	<u>\$ 117,340,000</u>	<u>\$ 69,860,000</u>	<u>\$ 50,400,000</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 September 30, 2017:	<u>\$ 542,237</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 553,246</u>

See accompanying auditors' report.

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*Fort Bend County Municipal Utility District No. 170*  
*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*  
*For the Last Five Fiscal Years*

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 285,929	\$ 229,660	\$ 315,822	\$ 160,975	\$ 95,041
Investment earnings	550	257	174	35	
Total Revenues	<u>286,479</u>	<u>229,917</u>	<u>315,996</u>	<u>161,010</u>	<u>95,041</u>
Expenditures					
Operating and administrative					
Professional fees	143,124	45,415	36,228	40,082	37,634
Contracted services	10,640	13,375	18,596	14,247	12,602
Master District fees	215,550	154,440	81,960	74,160	35,640
Administrative	16,739	14,227	12,551	14,138	12,865
Other					820
Total Expenditures	<u>386,053</u>	<u>227,457</u>	<u>149,335</u>	<u>142,627</u>	<u>99,561</u>
Revenues Over (Under) Expenditures	<u>\$ (99,574)</u>	<u>\$ 2,460</u>	<u>\$ 166,661</u>	<u>\$ 18,383</u>	<u>\$ (4,520)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
100%	100%	100%	100%	100%
*	*	*	*	
100%	100%	100%	100%	100%
50%	20%	11%	25%	40%
4%	6%	6%	9%	13%
75%	67%	26%	46%	37%
6%	6%	4%	9%	14%
				1%
135%	99%	47%	89%	105%
(35%)	1%	53%	11%	(5%)

*Fort Bend County Municipal Utility District No. 170*  
*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund*  
*For the Last Five Fiscal Years*

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 1,089,642	\$ 816,346	\$ 349,798	\$ 186,142	\$ 108,114
Penalties and interest	6,785	6,776	2,205	1,462	3
City of Fulshear tax rebate	43,866	37,142	24,574		
Accrued interest on bonds sold	8,623		1,373		
Miscellaneous	250	130	200		240
Investment earnings	6,180	968	607	126	88
Total Revenues	<u>1,155,346</u>	<u>861,362</u>	<u>378,757</u>	<u>187,730</u>	<u>108,445</u>
Expenditures					
Tax collection services	18,807	11,321			
Administrative			2,644	1,805	322
Debt service					
Principal	100,000	95,000			
Interest and fees	281,566	165,551	328,103	176,732	106,650
Contractual obligation	667,842	513,757	124,351		
Total Expenditures	<u>1,068,215</u>	<u>785,629</u>	<u>455,098</u>	<u>178,537</u>	<u>106,972</u>
Revenues Over (Under) Expenditures	<u>\$ 87,131</u>	<u>\$ 75,733</u>	<u>\$ (76,341)</u>	<u>\$ 9,193</u>	<u>\$ 1,473</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
93%	95%	92%	99%	100%
1%	1%	1%	1%	*
4%	4%	7%		
1%		*		
*	*	*		*
1%	*	*	*	*
100%	100%	100%	100%	100%
2%	1%			
		1%	1%	*
9%	11%			
24%	19%	87%	94%	98%
58%	60%	33%		
93%	91%	121%	95%	98%
7%	9%	(21%)	5%	2%

**Fort Bend County Municipal Utility District No. 170**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2017**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
 District Business Telephone Number: (713) 860-6400  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): July 11, 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)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
CJ McDaniel	7/17 - 5/18	\$ 600	\$ 132	President
Lisa Johns	6/16 - 5/20	2,100	138	Vice President
Kela Sumrall	6/16 - 5/20	900	148	Secretary
Cathy Verret	5/14 - 5/18	2,250	376	Assistant Vice President
Cindy Morrow	6/16 - 5/20	2,100	240	Assistant Secretary
Karen J. Useary	5/14 - 7/17	900		Former Director
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	8/08	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 107,200		
<i>Bond counsel</i>		120,000		
Andrews Kurth Kenyon LLP	10/16	31,309		Litigation Attorney
F. Matuska, Inc.	2/10	11,961		Bookkeeper
Assessments of the Southwest, Inc.	11/08	8,620		Tax Collector
Fort Bend Central Appraisal District	Legislation	8,272		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	11/08	1,879		Delinquent Tax Attorney
Brown & Gay Engineers	11/08	1,247		Engineer
McGrath & Co, PLLC	Annual	14,000		Auditor
FirstSouthwest, a Division of Hilltop Securities	11/08	83,172		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](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN