

OFFICIAL STATEMENT DATED NOVEMBER 28, 2018

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON 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 AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
 Moody's "A2" (stable outlook)
 Underlying Rating: Moody's "Baa2"
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$3,000,000
FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF FORT BEND COUNTY
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX ROAD BONDS
SERIES 2018

The bonds described above (the "Bonds") are obligations solely of Fulshear Municipal Utility District No. 1 of Fort Bend County (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 levied, without legal limitation as to rate or amount, against taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: 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") 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/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. 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 **ASSURED GUARANTY MUNICIPAL CORP.** See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2019	\$ 120,000	5.250 %	2.100 %	359863 EY9	2027	\$ 120,000 (a)	3.000 %	3.350 %	359863 FG7
2020	120,000	5.250 %	2.250 %	359863 EZ6	2028	120,000 (a)	3.250 %	3.550 %	359863 FH5
2021	120,000	5.250 %	2.400 %	359863 FA0	2029	120,000 (a)	3.500 %	3.750 %	359863 FJ1
2022	120,000	5.250 %	2.550 %	359863 FB8	2030	120,000 (a)	3.625 %	3.850 %	359863 FK8
2023	120,000	5.250 %	2.750 %	359863 FC6	2031	120,000 (a)	3.750 %	3.950 %	359863 FL6
2024	120,000	5.000 %	2.950 %	359863 FD4	2032	120,000 (a)	3.750 %	3.980 %	359863 FM4
2025	120,000 (a)	2.750 %	3.050 %	359863 FE2	2033	120,000 (a)	4.000 %	4.000 %	359863 FN2
2026	120,000 (a)	3.000 %	3.200 %	359863 FF9					
	\$240,000	Term Bonds due September 1, 2035 (a), 359863 FQ5 (b), 4.000% Interest Rate, 4.040% Yield (c)							
	\$240,000	Term Bonds due September 1, 2037 (a), 359863 FS1 (b), 4.000% Interest Rate, 4.080% Yield (c)							
	\$240,000	Term Bonds due September 1, 2039 (a), 359863 FU6 (b), 4.000% Interest Rate, 4.120% Yield (c)							
	\$480,000	Term Bonds due September 1, 2043 (a), 359863 FY8 (b), 4.000% Interest Rate, 4.200% 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 value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) 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 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 are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the respective Underwriter, 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, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 20, 2018.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This OFFICIAL STATEMENT 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, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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 Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 98.0077% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.075569%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering 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 allot 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 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, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission 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 other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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.

RECENT EXTREME WEATHER EVENTS

General...

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. Certain areas within the greater Houston area have 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 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District...

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 District’s engineer, Costello Inc. (the “Engineer”), the District, as a result of Hurricane Harvey, experienced four days of interrupted sewer service as a result of damage to two City lift stations serving the District. The City’s water supply system serving the District did not sustain any material damage and there was no interruption of water service. Further, according to Fulshear Land Partners Ltd. (“FLP” or the “Developer”), approximately seven (7) occupied homes out of 290 completed homes within the District at the time of the weather event, experienced structural flooding or other material damage.

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

THE DISTRICT

Description...

Fulshear Municipal Utility District No. 1 of Fort Bend County (the “District”) is a political subdivision of the State of Texas, created by Senate Bill 682 of the 80th Texas Legislature, Regular Session, effective September 1, 2007, now codified as Chapter 8207, Texas Special District Local Laws Code (“Chapter 8207”), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 672 acres of land. See “THE DISTRICT.”

Location...

The District is located approximately 32 miles west of the central downtown business district of the City of Houston and lies wholly within the boundaries of the City of Fulshear (the “City”) and within the boundaries of the Lamar Consolidated Independent School District. The District is bordered on the north by Farm-to-Market 1093 and on the west by James Lane. Access to the District is provided by Farm-to-Market 1093 to Lake Hill Farm Way and Fulshear Trace. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Status of Development... The District is being developed as Fulbrook on Fulshear Creek, previously Fulshear Creek Crossing. The District currently includes 452 single-family residential lots on approximately 173 acres. As of October 17, 2018, 327 homes were completed (327 occupied), approximately 60 homes were under construction or continue to be owned by a builder and 65 vacant developed home lots were available for home construction.

According to the Developer, new homes within the District range in sales price from approximately \$350,000 to \$700,000.

Approximately 289 developable acres have not been provided with water distribution, wastewater collection and storm drainage facilities. In addition, approximately 210 acres are not developable. See “THE DISTRICT.”

The Developers... The current developer of land located within the District is Fulshear Land Partners, Ltd., a Texas limited partnership (“FLP”) whose sole general partner is New FLP Management, LLP, a Texas limited liability partnership based in Houston. Fulshear Land Investment Partners, Ltd., a Texas limited partnership (“FLIP”) whose sole general partner is New Flip Management, LLP, a Texas limited liability partnership also based in Houston, was created to purchase and hold the land to be developed by FLP. FLP and FLIP are collectively referred to herein as the “Developer.” The limited partners of both FLIP and FLP are Duncan K. Underwood and Feliciano Corporation. Development and construction activities for the project are managed by C&O Development, dba Trend Development Inc. (“Trend Development”).

Approximately 349 acres of undeveloped land located in the District are currently owned by FLIP. See “THE DEVELOPER” and “TAX DATA—Principal Taxpayers.”

Homebuilders... The Developer has entered into lot sales contracts with Perry Homes, Highland Homes, J. Patrick Homes, and Newmark Homes. See “THE DISTRICT—Builders and Lot Sales Contracts.”

Payment Record... The District has previously issued \$14,210,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities (the “Water, Sewer and Drainage Bonds”) in three series, \$4,500,000 principal amount of unlimited tax bonds for roads and related improvements (the “Road Bonds”) in one series, and \$3,905,000 principal amount of unlimited tax road refunding bonds in one series, \$17,480,000 of which collectively remains outstanding (the “Outstanding Bonds”). The District has never defaulted on its debt obligations. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.”

THE BONDS

Description... \$3,000,000 Unlimited Tax Road 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 as serial bonds on September 1 in each of the years 2019 through 2033, both inclusive and as term bonds on September 1 in each of the years 2035, 2037, 2039 and 2043 (the “Term Bonds”) in the principal amounts and paying 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.”

<i>Redemption...</i>	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 value plus unpaid accrued interest from the most recent interest payment date 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.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay interest on funds advanced by the Developer on behalf of the District, and pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$85,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing road facilities. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, a bond election held in the District, Article III, Section 52 of the Texas Constitution, Chapter 8207 Texas Special District Local Laws, as amended (“Chapter 8207”), Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance” and “—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 levied, without legal limitation as to rate or amount, against taxable property within the District. The Bonds are obligations 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. See “THE BONDS—Source of and Security for Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service, Inc. (Moody’s) will assign municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this 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 Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa2” to the Bonds. An explanation of their ratings may be obtained from S&P or Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds have been designated 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 “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton, L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

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.....	\$149,333,604	(a)
Estimated Taxable Assessed Valuation as of September 1, 2018	\$171,003,813	(b)
Gross Direct Debt Outstanding	\$20,480,000	(c)
Estimated Overlapping Debt	12,354,277	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	<u>\$32,834,277</u>	
Ratios of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	13.71%	
Estimated Taxable Assessed Valuation as of September 1, 2018	11.98%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation.....	21.99%	
Estimated Taxable Assessed Valuation as of September 1, 2018	19.20%	
Funds Available for Debt Service as of October 24, 2018:		
Road Debt Service Funds	\$237,938	(e)
Water, Sewer and Drainage Debt Service Funds	564,866	(e)
Total Debt Service Funds Available	<u>\$802,804</u>	
Operating Funds Available as of October 24, 2018	\$708,382	
Road Construction Fund Balance Available as of October 24, 2018	\$731	
Water, Sewer and Drainage Construction Fund Balance Available as of October 24, 2018.....	\$529,128	
2018 Debt Service Tax Rate	\$0.75	
2018 Maintenance and Operations Tax Rate	0.41	
2018 Total Tax Rate	<u>\$1.16</u>	
Average Annual Debt Service Requirement (2019-2043).....	\$1,175,712	(f)
Maximum Annual Debt Service Requirement (2020).....	\$1,403,721	(f)
Tax Rates Required to Pay Average Annual Debt Service (2019-2043) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation	\$0.83	(g)
Based upon Estimated Taxable Assessed Valuation as of September 1, 2018.....	\$0.73	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate		
Based upon 2018 Certified Taxable Assessed Valuation	\$0.99	(g)
Based upon Estimated Taxable Assessed Valuation as of September 1, 2018.....	\$0.87	(g)
Status of Development as of October 17, 2018 (h):		
Completed Homes (327 occupied).....	327	
Homes Under Construction or in Builders Name.....	60	
Lots Available for Home Construction	65	
Estimated Population.....	1,144	(i)

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on September 1, 2018. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2018 and September 1, 2018, will be certified as of January 1, 2019. See "TAXING PROCEDURES."
(c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt."
(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
(e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities and refunding such bonds ("Road Bonds") and a portion will be allocated to bonds sold for water, sewer and drainage facilities and refunding such bonds ("Water, Sewer and Drainage Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt." The Road Debt Service Fund is not pledged to Water, Sewer and Drainage Bonds, and the Water, Sewer and Drainage Debt Service Fund is not pledged to Road Bonds, including the Bonds.
(f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(g) Pursuant to the Utility Agreement between the District and the City, the City provides the District a tax rebate, which based on the City's 2018 tax rate is approximately the equivalent of \$0.06251 per \$100 assessed 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 bonds issued by the District. However, the tax rebate is not pledged to the payment of the Bonds. The tax rebate is not included in the above calculations. See "THE DISTRICT—Utility Agreement with the City—Tax Rebate," "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
(h) See "THE DISTRICT—Status of Development."
(i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF FORT BEND COUNTY (A political subdivision of the State of Texas located within Fort Bend County)

\$3,000,000 UNLIMITED TAX ROAD BONDS SERIES 2018

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fulshear Municipal Utility District No. 1 of Fort Bend County (the "District") of its \$3,000,000 Unlimited Tax Road Bonds, Series 2018 (the "Bonds").

The Bonds are issued by the District pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article III, Section 52 of the Texas Constitution, Chapter 8207 Texas Special District Local Laws Code, as amended ("Chapter 8207"), Chapters 49 and 54 of the Texas Water Code, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Fulshear Land Partners, Ltd. ("FLP"), a Texas limited partnership, and Fulshear Land Investment Partners, Ltd. ("FLIP"), a Texas limited partnership (FLP and FLIP are collectively referred to herein as the "Developer"), and development activity in the District. 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 principal 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 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 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 and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, 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 Road 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.

The District also maintains a Water, Sewer and Drainage Debt Service Fund that is not pledged to Road Bonds, including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on Water, Sewer and Drainage Bonds and funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal and interest on Road Bonds, including the Bonds.

Accrued interest on the Bonds shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of reimbursing the Developer 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” for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2035, 2037, 2039 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, at the option of the District, 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):

\$240,000 Term Bonds		\$240,000 Term Bonds		\$240,000 Term Bonds	
Due September 1, 2035		Due September 1, 2037		Due September 1, 2039	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2034	\$ 120,000	2036	\$ 120,000	2038	\$ 120,000
2035 (maturity)	120,000	2037 (maturity)	120,000	2039 (maturity)	120,000

\$480,000 Term Bonds	
Due September 1, 2043	
Mandatory	Principal
Redemption Date	Amount
2040	\$ 120,000
2041	120,000
2042	120,000
2043 (maturity)	120,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term 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 Paying Agent/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 in part, in integral multiples of \$5,000, 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. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (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 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 an election held on May 10, 2008, the voters of the District authorized the issuance of an aggregate of \$85,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements. The Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" below and "INVESTMENT CONSIDERATIONS—Future Debt."

The Bonds are issued by the District pursuant to the election, the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapter 8207, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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 suitability 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.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond 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 a Record Date and ending 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 bond, 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's voters have authorized the issuance of \$132,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities, \$43,000,000 principal amount of unlimited tax bonds for the purpose of providing parks and recreational facilities and \$85,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads and could authorize additional amounts. Voters of the District have also authorized the issuance of one and one-half times the amount of bonds or other evidences of indebtedness issued for water, sewer and drainage facilities and road facilities for the purposes of refunding such bonds and other evidences of indebtedness, of which \$550,000 of refunding bond authorization for road facilities has been issued and all of the authorized refunding bonds for water, sewer and drainage facilities remains authorized but unissued. Any additional bonds sold would be on a parity with the Bonds. After the issuance of the Bonds, \$77,500,000 principal amount of unlimited tax bonds for the purpose of constructing road facilities will remain authorized but unissued. In addition, \$117,790,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities, all but \$550,000 of the unlimited tax refunding bonds for road facilities, all of the unlimited tax refunding bonds for water, sewer and drainage facilities and all of the unlimited tax bonds for parks and recreational facilities remain authorized but unissued. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District.

The issuance of additional debt for any of the above described purposes and the levy of taxes to pay debt service on such debt could dilute the investment security for the Bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is 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 preparing a fire plan or calling such an election at this time.

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 also places certain restrictions on the City's right to dissolve the District. See "THE DISTRICT – Utility Agreement with the City." If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt service on the Bonds if such dissolution were to occur.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, 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 the 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 is on file with DTC.

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

DTC, the world's largest 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.

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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Costello, Inc., the District’s engineer (the “Engineer”.) 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 completion of agreed-upon procedures by the District’s auditor. Any surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

I. CONSTRUCTION COSTS

• Fulbrook on Fulshear Creek Section Three Paving.....	\$ 650,749
• Fulshear Trace Extension to FM 1093 at Syms Street.....	509,670
• Bridge on Spanish Moss Crossing.....	855,157
• Engineering Fees.....	242,665
Total Construction Costs.....	\$ 2,258,241

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$ 59,768
• Developer Interest (estimated).....	476,950
Total Non-Construction Costs.....	\$ 536,718

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 189,809
• Engineering Report.....	12,000
• State Regulatory Fees.....	3,000
• Contingency (a).....	232
Total Issuance Costs and Fees.....	\$ 205,041
TOTAL BOND ISSUE.....	\$ 3,000,000

(a) Contingency represents the difference in the estimated and actual amount of Underwriter’s discount.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by Senate Bill 682 of the 80th Texas Legislature, Regular Session, effective September 1, 2007, now codified as Chapter 8207, Texas Special District Local Laws Code (“Chapter 8207”). The District operates pursuant to Chapter 8207, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District contains approximately 672 acres of land and is located wholly within the corporate limits of the City.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary to provide 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, acquire, improve, maintain or operate roads and improvements in aid thereof. The District may issue bonds or 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 resolution consenting to 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 Fulshear for 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 August 19, 2008 (the “Utility Agreement”). The Utility Agreement expires May 14, 2048, 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 water, sewer, drainage, park and recreational facilities, and roads to serve the District.

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, including (among others) providing water and wastewater treatment capacity resulting from water and wastewater connection fees paid to the City, and maintaining the water distribution and wastewater collection line capacity as constructed by the District. 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. The Utility Agreement provides that the City will initially operate the District Utility Facilities by contracting with a qualified third-party company. The City 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 and maintain the District Utility Facilities and to establish and maintain an operating reserve of not more than 6 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 and maintaining 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.

Water and Sewer Capacity: The District purchases water and wastewater capacity in the City’s water and wastewater treatment plants. Per the Utility Agreement, the District pays the City a fee of \$2,560.00 per equivalent single-family connection. The District also pays a fee for non-single-family lot developments and commercial developments. See “THE SYSTEM.”

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 was confirmed, which was 2008, and shall continue for the life of the District’s bonds. 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 Utility Agreement provides that the Tax Rebate shall be used by the District to pay for the design and construction of certain facilities, or to pay debt service on outstanding bonds issued by the District. 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. The District currently expects to use some or all of the Tax Rebate to pay debt service on bonds issued by the District, including the Bonds, but not pledge the Tax Rebate for such purpose.

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 (1) until the developer, FLP, has fully developed 90% of its developable acreage within the District; (2) the remaining 10% developable acreage owned by the developer, FLP, has had water, sewer and drainage facilities installed which are necessary to serve the area; and (3) the developer, FLP, has been fully reimbursed by the District, in accordance with TCEQ rules, for all of the developer’s eligible development and construction costs.

Location

The District is located approximately 32 miles west of the central downtown business district of the City of Houston and lies wholly within the corporate boundaries of the City and within the boundaries of the Lamar Consolidated Independent School District. The District is bordered on the north by Farm-to-Market 1093 and on the west by James Lane. Access to the District is provided by Farm-to-Market 1093 to Lake Hill Farm Way and Fulshear Trace.

Land Use

The District currently includes approximately 173 developed acres of single-family residential development (452 residential lots), approximately 210 undevelopable acres (drainage and pipeline easements, street rights-of-way and utility sites) and approximately 289 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District. See “AERIAL PHOTOGRAPH.”

<u>Single-Family Residential</u>	Approximate <u>Acres</u>	<u>Lots</u>
Fulshear Creek Crossing:		
Section One.....	43	91
Section Two.....	18	32
Fulbrook on Fulshear Creek:		
Section Three.....	34	84
Section Four.....	35	111
Section Eight.....	18	50
Section Twelve.....	<u>25</u>	<u>84</u>
Subtotal.....	173	452
<i>Future Development</i>	289	---
<i>Non-Developable (a)</i>	<u>210</u>	<u>---</u>
	672	452

(a) Includes public rights-of-way, detention, open spaces, easements and utility sites that will not be developed for taxable purposes.

Status of Development

The District is being developed as Fulbrook on Fulshear Creek, previously Fulshear Creek Crossing. The development in the District currently includes 452 single-family residential lots on approximately 173 acres. As of October 17, 2018, 327 homes were completed (327 occupied), approximately 60 homes were under construction or in a builder’s name and 65 vacant developed home lots were available for home construction. The current estimated population in the District is 1,144, based upon 3.5 persons per occupied single-family residence.

According to the Developer, new homes in the District range in sales price from approximately \$350,000 to \$700,000

Builders and Lots Sales Contracts

Newmark Homes, Highland Homes, J.Patrick Homes and Perry Homes are currently building homes in the District. Pursuant to such lot sales agreements, each builder is required to make an earnest money deposit and to purchase single family lots on a specified schedule, depending upon lot size and home sales price point. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

Future Development

The District is currently planned as a primarily single-family residential with some complimentary retail development. Approximately 289 developable acres of land currently within the District are not yet served with water distribution and supply, sewage collection and treatment or drainage facilities. 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 District anticipates issuing additional bonds to accomplish full development of the District and to pay outstanding amounts owed to the Developer. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds, after issuance of the Bonds (\$238,290,000), will be sufficient to finance the construction of water, sewer, and drainage facilities, roads and recreational facilities to complete development of the District.

THE DEVELOPER

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.

Prospective Bond purchasers should note that the prior real estate experience of the Developer 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—Dependence on Principal Taxpayers."

Developers and land owners have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time. Information concerning the Developer will neither be updated nor provided following issuance of the Bonds. Neither the Developer, nor any affiliate, if any, is obligated to pay principal of or interest on the Bonds. Furthermore, the Developer does not have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developer

The developer of land located within the District is Fulshear Land Partners, Ltd., a Texas limited partnership ("FLP") whose sole general partner is New FLP Management, LLP, a Texas limited liability partnership based in Houston. Fulshear Land Investment Partners, Ltd., a Texas limited partnership ("FLIP") whose sole general partner is New FLIP Management, LLP, a Texas limited liability partnership also based in Houston, was created to purchase and hold the land to be developed by FLP. FLP and FLIP are collectively referred to herein as the "Developer." The limited partners of both FLIP and FLP are Duncan K. Underwood and Feliciana Corporation. Development and construction activities are managed by C&O Development Corporation, a Texas corporation, dba Trend Development Inc. ("Trend Development").

Approximately 349 acres of undeveloped land located in the District is currently owned by FLIP. See "TAX DATA—Principal Taxpayers."

The Developer is financing the land and development costs of the property within the District with a loan from Texas Capital Bank (“TCB”). The TCB loan is a revolving line of credit with a maximum principal amount of \$12,000,000. Such loan was modified and extended to March 31, 2022. The TCB loan had a balance of \$3,248,277 as of July 31, 2018 and is secured by developed and undeveloped lots, and reimbursements due to FLP from the District.

Other Land Owners

HEB Grocery owns approximately 19 acres in the District; however, no construction of any taxable improvements has commenced.

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 staggered four-year terms and elections are held in May in odd numbered years only. Four of the Board members reside within the District and one Board member owns land subject to a note and deed of trust in favor of FLIP. 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>
Brian Cogburn	President	May 2019
Brooks Tueting	Vice President	May 2021
Tracy Bozeman	Secretary	May 2021
Eugene Baker	Asst. Vice President/Asst. Secretary	May 2019
Ronald Catchings	Asst. Vice President/Asst. Secretary	May 2021

District Consultants

While the District does not employ any full time employees, it has contracted for certain services as follows:

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 Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore such fees are contingent on the sale and delivery of the Bonds.

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.

Independent Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audited financial statements are filed with the TCEQ. The District’s financial statements for the fiscal year ending April 30, 2018, have been audited by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the audited financial statement of the District as of April 30, 2018.

Engineer: The District’s consulting engineer is Costello, Inc. (the “Engineer”).

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 District has appointed an independent tax assessor/collector to perform the tax collection function. Bob Leared Interests (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. for bookkeeping services (the “Bookkeeper”).

Utility System Operator: The operator of the City’s water and sewer facilities which serve the District, including the facilities conveyed to the City by the District, is Inframark, Inc.

THE SYSTEM

Regulation

Construction and operation of the District's water, sewer and drainage facilities as it now exists or as it 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. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Fort Bend Subsidence District where applicable (see "Water Supply" below). Construction of drainage facilities is subject to the regulatory authority of Fort Bend County Drainage District. The City and the Texas Department of Health also exercise regulatory jurisdiction over the water and wastewater facilities constructed by the District.

Water Supply

The District receives potable water from the City. Pursuant to the Utility Agreement, the City has agreed to supply the District with capacity in the City's water plant in consideration of the payment of a connection fee per connection. See "THE DISTRICT—Utility Agreement with the City". The City currently owns and operates two water plants, one of which serves the District. The water plant facilities serving the District provide the following total capacities: Water Wells – 2,500 gallons per minute ("gpm"), Ground Storage Tank – 278,900 gallons, Elevated Storage – 250,000 gallons and Booster Pumps – 1,200 gpm. The water plant serving the District is capable of serving 600 equivalent single-family connections ("ESFCs"). The District has purchased sufficient water capacity to serve 634 ESFCs from the City. As of October 17, 2018, the District was serving 387 active residential connections (including 60 homes under construction or in a builder's name). In order to fully provide water supply to the District, the District will need to pay additional connection fees to the City, and the City will need to expand its water supply facilities from time to time.

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 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 City and 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 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 a fee per 1,000 gallons of surface water received from the Authority, if any. 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 annual 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 annual 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, which is 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 annual 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 continue passing 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. 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.

Wastewater Treatment

All of the District's wastewater is treated by the City. Pursuant to the Utility Agreement, the City has agreed to supply the District with wastewater treatment capacity in the City's wastewater treatment plant in consideration of the payment of a connection fee per connection. See "THE DISTRICT—Utility Agreement with the City". The City currently owns and operates two wastewater treatment plants, one of which serves the District. The wastewater treatment plant serving the District has a total capacity of 500,000 gallons per day ("gpd") and is currently capable of serving 1,666 ESFCs. The District has purchased sufficient wastewater treatment capacity to serve 634 ESFCs. As of October 17, 2018, the District was serving 387 active residential connections (including 60 homes under construction or in a builder's name). In order to fully provide wastewater treatment for the District, the District will need to pay additional connection fees to the City, and the City will need to expand its wastewater plant facilities from time to time.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 452 residential lots in the District. See "THE DISTRICT—Status of Development."

100-Year Flood Plain

"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 Costello, Inc., the District's engineer, none of the developable acreage within the District is located within the 100-year flood plain as shown on the effective Flood Insurance Rate Map. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

Watershed Protection Project

A portion of Fulshear Creek, which provides drainage to land within the District, has sustained slope erosion damages from past storms including Hurricane Harvey. The District is undertaking a project to repair and prevent future slope erosion on certain portions of Fulshear Creek located within the District, which, according to the District's engineer, is estimated to cost approximately \$2,300,000. The District has an Agreement with the U.S. Department of Agriculture Natural Resources Conservation Service (the "NRCS") to receive federal assistance for up to approximately \$1,800,000. The District makes no representation that the District will receive federal funds or what the actual project costs will be. The District also intends to pursue additional repairs on Fulshear Creek within the District in the future, which according to the District's engineer is currently estimated to cost approximately \$700,000. The District makes no representation on when or if such projects will be commenced or what the actual projects costs will be.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2018 Certified Taxable Assessed Valuation.....	\$149,333,604	(a)
Estimated Taxable Assessed Valuation as of September 1, 2018	\$171,003,813	(b)
Gross Direct Debt Outstanding	\$20,480,000	(c)
Estimated Overlapping Debt	<u>12,354,277</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$32,834,277	
Ratios of Gross Direct Debt to:		
2018 Certified Taxable Assessed Valuation	13.71%	
Estimated Taxable Assessed Valuation as of September 1, 2018	11.98%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2018 Certified Taxable Assessed Valuation.....	21.99%	
Estimated Taxable Assessed Valuation as of September 1, 2018	19.20%	
Funds Available for Debt Service as of October 24, 2018:		
Road Debt Service Funds	\$237,938	(e)
Water, Sewer and Drainage Debt Service Funds	<u>564,866</u>	(e)
Total Debt Service Funds Available	\$802,804	
General Operating Funds Available as of October 24, 2018.....	\$708,382	
Road Construction Fund Balance Available as of October 24, 2018	\$732	
Water, Sewer and Drainage Construction Fund Balance Available as of October 24, 2018.....	\$529,128	

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on September 1, 2018. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2018 and September 1, 2018, will be certified as of January 1, 2019. See “TAXING PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.”
- (d) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt.”
- (e) Although all of the District’s debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a portion of the District’s ad valorem tax revenue will be allocated to bonds sold for road facilities and refunding such bonds (“Road Bonds”), and a portion will be allocated to bonds sold for water, sewer and drainage facilities and refunding such bonds (“Water, Sewer and Drainage Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.” The Road Debt Service Fund is not pledged to Water, Sewer and Drainage Bonds, and the Water, Sewer and Drainage Debt Service Fund is not pledged to Road Bonds, including the Bonds.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Debt

The District has issued \$14,210,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in three series, and \$4,500,000 principal amount of unlimited tax bonds for roads and related improvements in one series, and \$3,905,000 principal amount of unlimited tax road refunding bonds in one series, \$17,480,000 of which collectively remains outstanding (the “Outstanding Bonds”). The following table lists the original principal amount of all series of bonds issued by the District and the principal amount of the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds (as of 10/15/18)
2011 (a)	\$ 4,500,000	\$ 445,000
2015	4,660,000	4,095,000
2016	4,200,000	3,985,000
2017 (b)	3,905,000	3,765,000
2017	5,350,000	5,190,000
Total	\$ 22,615,000	\$ 17,480,000

- (a) Unlimited Tax Road Bonds.
- (b) Unlimited Tax Road Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Debt”) and the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2019	\$ 1,169,981.26	\$ 120,000	\$ 91,687.50	\$ 211,687.50	\$ 1,381,668.76
2020	1,167,771.26	120,000	115,950.00	235,950.00	1,403,721.26
2021	1,159,396.26	120,000	109,650.00	229,650.00	1,389,046.26
2022	1,155,306.26	120,000	103,350.00	223,350.00	1,378,656.26
2023	1,155,731.26	120,000	97,050.00	217,050.00	1,372,781.26
2024	1,151,131.26	120,000	90,750.00	210,750.00	1,361,881.26
2025	1,148,018.76	120,000	84,750.00	204,750.00	1,352,768.76
2026	1,150,256.26	120,000	81,450.00	201,450.00	1,351,706.26
2027	1,144,981.26	120,000	77,850.00	197,850.00	1,342,831.26
2028	1,152,900.00	120,000	74,250.00	194,250.00	1,347,150.00
2029	1,149,256.26	120,000	70,350.00	190,350.00	1,339,606.26
2030	1,154,481.26	120,000	66,150.00	186,150.00	1,340,631.26
2031	1,142,843.76	120,000	61,800.00	181,800.00	1,324,643.76
2032	1,145,406.26	120,000	57,300.00	177,300.00	1,322,706.26
2033	1,147,043.76	120,000	52,800.00	172,800.00	1,319,843.76
2034	1,146,993.76	120,000	48,000.00	168,000.00	1,314,993.76
2035	1,140,693.76	120,000	43,200.00	163,200.00	1,303,893.76
2036	812,981.26	120,000	38,400.00	158,400.00	971,381.26
2037	810,750.00	120,000	33,600.00	153,600.00	964,350.00
2038	812,393.76	120,000	28,800.00	148,800.00	961,193.76
2039	812,525.00	120,000	24,000.00	144,000.00	956,525.00
2040	811,837.50	120,000	19,200.00	139,200.00	951,037.50
2041	620,312.50	120,000	14,400.00	134,400.00	754,712.50
2042	630,662.50	120,000	9,600.00	129,600.00	760,262.50
2043		120,000	4,800.00	124,800.00	124,800.00
Total	\$ 24,893,655.18	\$ 3,000,000	\$ 1,499,137.50	\$ 4,499,137.50	\$ 29,392,792.68

Average Annual Debt Service Requirements (2019-2043) \$1,175,712
 Maximum Annual Debt Service Requirement (2020) \$1,403,721

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 the purposes of 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 Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 593,940,527	9/30/2018	0.22%	\$ 1,306,669
Lamar Consolidated ISD.....	1,062,270,000	8/31/2018	1.04%	11,047,608
Total Estimated Overlapping Debt.....				\$ 12,354,277
The District.....	20,480,000 (a)	Current	100.00%	20,480,000
Total Direct and Estimated Overlapping Debt.....				\$ 32,834,277
Ratio of Estimated Direct and Overlapping Debt to 2018 Taxable Assessed Valuation.....				21.99%
Ratio of Estimated Direct and Overlapping Debt to Estimated Taxable Assessed Valuation as of 9/1/18.....				19.20%

(a) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to 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 (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, 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 are all of the taxes levied for the 2018 tax year by all taxing jurisdictions 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.

	Tax Rate per \$100 of Taxable Assessed Valuation
Fort Bend County (including Drainage District).....	\$ 0.464000
City of Fulshear	0.162510
Fort Bend County ESD No. 4.....	0.100000
Lamar Consolidated ISD.....	1.390000
Total Overlapping Tax Rate.....	\$ 2.116510
The District (a).....	1.160000
Total Tax Rate.....	\$ 3.276510

(a) See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

Operating Statement

Since the District receives water supply and wastewater services from the City, it is anticipated that the District maintenance tax proceeds will be the sole source of revenue available to the District to pay for District operations. The following statement sets forth in condensed form the General Fund as derived from the District's audited financial statement for the years ending April 30, 2014 thru April 30, 2018. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. This summary should be used in conjunction with the full audit attached hereto as "APPENDIX A" and should not be detached. A full review of the documents described herein is recommended.

	Fiscal Year Ended April 30				
	2018	2017	2016	2015	2014
Revenues					
Property Taxes	\$ 572,348	\$ 416,761	\$ 296,938	\$ 264,534	\$ 201,184
Miscellaneous	15,730	-	-	-	-
Investment Revenues	1,500	833	616	664	807
Total Revenues	\$ 589,578	\$ 417,594	\$ 297,554	\$ 265,198	\$ 201,991
Expenditures					
Professional Fees	\$ 284,086	\$ 232,446	\$ 189,528	\$ 117,184	\$ 236,721
Purchased or Contracted Services	11,438	11,400	11,400	11,850	11,400
Repairs and Maintenance	82,629	26,555	51,105	71,694	-
Other	16,242	13,908	14,949	13,201	17,453
Total Expenditures	\$ 394,395	\$ 284,309	\$ 266,982	\$ 213,929	\$ 265,574
Revenues Over (Under) Expenditures	\$ 195,183	\$ 133,285	\$ 30,572	\$ 51,269	\$ (63,583)
Other Sources					
Transfers In (Out)	\$ 24,108	\$ -	\$ -	\$ (2,247)	\$ -
Fund Balance (Beginning of Year)	\$ 644,395	\$ 511,110	\$ 480,538	\$ 431,516	\$ 495,099
Fund Balance (End of Year)	\$ 863,686	\$ 644,395	\$ 511,110	\$ 480,538	\$ 431,516

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, and “TAXING PROCEDURES.”

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, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted May 10, 2008, 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. In addition, voters of the District authorized the Board to levy a maintenance tax at a rate not to exceed \$0.10 per \$100 appraised valuation for park and recreational 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. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	2018		2017	2016	2015	2014
Debt Service	\$ 0.75	(a)	\$ 0.75	\$ 0.81	\$ 0.78	\$ 0.71
Maintenance and Operations	0.41		0.42	0.36	0.41	0.48
Total	\$ 1.16		\$ 1.17	\$ 1.17	\$ 1.19	\$ 1.19

(a) Of the \$0.75 debt service tax rate, \$0.325 is allocated to debt service on road bonds and \$0.425 is allocated to debt service on water, sewer and drainage bonds.

Tax Exemptions

The District grants a \$10,000 exemption to residential homesteads of persons 65 years or older or disabled.

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 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	Taxable Assessed Valuation(a)	Tax Rate	Total Tax Levy(b)	Total Collections as of September 30, 2018	
				Amount	Percent
2013	\$ 42,159,221	\$ 1.190	\$ 501,695	\$ 501,695	100.00%
2014	55,306,478	1.190	658,147	658,147	100.00%
2015	72,148,245	1.190	858,564	858,564	100.00%
2016	115,982,063	1.170	1,356,990	1,356,990	100.00%
2017	135,805,152	1.170	1,588,921	1,588,921	100.00%
2018	149,333,604	1.160	1,732,270	(c)	(c)

- (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.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) In the process of collections. Taxes for the 2018 tax year are due by January 31, 2019.

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 and the Estimated Taxable Assessed Valuation as of September 1, 2018. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuations	Defrements and Exemptions	Net Taxable Assessed Valuations
	Land	Improvements	Personal Property			
2014	\$23,165,200	\$ 33,204,590	\$ 325,720	\$ 56,695,510	\$(1,389,032)	\$ 55,306,478
2015	30,618,510	42,164,160	312,240	73,094,910	(946,665)	72,148,245
2016	45,414,941	71,210,780	558,100	117,183,821	(1,201,758)	115,982,063
2017	50,822,267	87,046,510	604,130	138,472,907	(2,667,755)	135,805,152
2018	52,170,091	99,867,257	481,640	152,518,988	(3,185,384)	149,333,604
9/1/18 (a)	55,861,570	117,927,257	400,370	174,189,197	(3,185,384)	171,003,813

(a) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value as of September 1, 2018. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District. See “TAXING PROCEDURES.”

Principal Taxpayers

The following table represents the ten major taxpayers, the taxable assessed valuation of such property, and such property’s taxable assessed valuation as a percentage of the 2018 Certified Taxable Assessed Valuation of \$149,333,604. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of September 1, 2018, of \$171,003,813 is not available.

Taxpayer	2018 Certified Taxable Assessed Valuation	% of 2018 Certified Taxable Assessed Valuation
Fulshear Land Investment (a)	\$ 9,724,430	6.51%
Fulshear Land Partners Ltd. (a)	4,593,740	3.08%
HEB Grocery Company LP (b)	3,068,810	2.06%
J. Patrick Homes Ltd. (c)	1,750,830	1.17%
Newmark Homes Houston LLC (c)	1,571,750	1.05%
MHI Partnership Ltd.	1,220,150	0.82%
Highland Homes-Houston LLC (c)	954,200	0.64%
Mausner Family Living Trust	855,480	0.57%
Pecan Homes LLC (d)	712,630	0.48%
Individual	633,250	0.42%
Total	\$ 25,085,270	16.80%

- (a) See “THE DEVELOPER.”
- (b) HEB Grocery Company owns approximately 19 acres in the District but has not commenced construction of any improvements thereon.
- (c) See “THE DISTRICT—Builder and Lot Sales Contracts.”
- (d) No longer building in the District.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2018 Certified Taxable Assessed Valuation of \$149,333,604 and the Estimated Taxable Assessed Valuation as of September 1, 2018, of \$171,003,813. 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2019-2043)	\$1,175,712
\$0.83 Tax Rate on the 2018 Certified Taxable Assessed Valuation	\$1,177,495
\$0.73 Tax Rate on the Estimated Taxable Assessed Valuation as of September 1, 2018	\$1,185,911
Maximum Annual Debt Service Requirement (2020).....	\$1,403,721
\$0.99 Tax Rate on the 2018 Certified Taxable Assessed Valuation	\$1,404,483
\$0.87 Tax Rate on the Estimated Taxable Assessed Valuation as of September 1, 2018	\$1,413,347

The Tax Rebate is not included in the calculations set forth above. No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of September 1, 2018 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or its 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 Outstanding Bonds and the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service 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 is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. 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. To date, the District has not adopted a homestead exemption. 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 may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the City and the District, under certain circumstances, 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. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the

split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement 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.

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.

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 rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, the debt service tax rate cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

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 and Security for 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; Hurricane Harvey

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. Certain areas within the greater Houston area have 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 25, 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 District's engineer, Costello Inc. (the "Engineer"), the District, as a result of Hurricane Harvey, experienced four days of interrupted sewer service as a result of damage to two City lift stations serving the District. The City's water supply system serving the District did not sustain any material damage and there was no interruption of water service. Further, according to Fulshear Land Partners Ltd. ("FLP" or the "Developer"), approximately seven (7) occupied homes out of 290 completed homes within the District at the time of the weather event, experienced structural flooding or other material damage.

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

Specific Flood Type Risks

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of single-family residences and developed lots. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential properties of this type 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 such properties is directed.

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, 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 32 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 the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 32 miles from downtown Houston, could be affected by competition from other residential development 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 Developer and other property owners 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 and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Rebate from the City of Fulshear

Pursuant to the Utility Agreement between the District and 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 certain facilities, or to pay debt service on outstanding bonds issued by the District. 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 bonds issued by the District, including the Bonds, 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.

Possible Impact on District Tax Rates

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 \$149,333,604. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,403,721 (2020), and the average annual debt service requirement will be \$1,175,712 (2019-2043 inclusive). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.99 and \$0.83 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. The Estimated Taxable Assessed Valuation as of September 1, 2018 is \$171,003,813, which reduces the above tax calculations to \$0.87 and \$0.73 per \$100 of taxable assessed valuation, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of September 1, 2018 will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.” While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds, the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Property within the District also is subject to taxes levied by other political subdivisions. See “TAX DATA—Tax Adequacy for Debt Service.”

Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any landowner 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 tracts of land or developed lots 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, the District will maintain its taxable value.

Undeveloped Acreage and Vacant Lots

There are approximately 289 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and 65 developed lots that remain vacant as of October 17, 2018. The District makes no representation as to when or if the undeveloped land will be developed or construction on vacant lots will occur. See “THE DISTRICT—Land Use—Status of Development.”

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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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 Owner's 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, the 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 \$132,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities, \$43,000,000 principal amount of unlimited tax bonds for the purpose of constructing parks and recreational facilities and \$85,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads have been authorized by the District's voters. Voters of the District have also authorized the issuance of one and one-half times the amount of bonds or other evidences of indebtedness issued for water, sewer and drainage facilities and road facilities for the purposes of refunding such bonds or other evidences of indebtedness. After the issuance of the Bonds, the District will have \$77,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads. In addition, \$117,790,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities, all but \$550,000 of the unlimited tax refunding bonds for road facilities, all of the unlimited tax refunding bonds for water, sewer and drainage facilities, and all of the unlimited tax bonds for parks and recreational facilities 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.

To date, the Developer has advanced certain funds for the construction of facilities for which it has not been reimbursed. The District intends to issue additional bonds in order to develop the remainder of undeveloped but developable land (approximately 289 acres) and to reimburse the Developer. After reimbursements are made with Bond proceeds, the District will continue to owe the Developer approximately \$9,780,000 (as of October 17, 2018) for the construction of water, sewer and drainage facilities and roads. The District also owes the Developer for funds advanced by the Developer for the construction of certain recreational facilities constructed to date; however, the outstanding principal amount of bonds or other obligations issued to finance recreational facilities may not exceed one percent (1%) of the District's taxable assessed value. 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 for water, sewer and drainage facilities and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds; however, road and refunding bonds are not. Additional bonds may be issued for purposes which do not result in any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulation

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

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

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

Air Quality 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 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 nationwide 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.

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.

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.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (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") and Moody's Investors Service, Inc. (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this 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 Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from the company furnishing each rating.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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.

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At September 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,203 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

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

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

Miscellaneous Matters

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

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 Allen Boone Humphries Robinson LLP, 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 and (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," "and —Utility Agreement with the City," "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.

No Material Adverse Change

The obligations of the Underwriter 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 OFFICIAL STATEMENT.

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 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 principal on 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.

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations

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

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

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

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 Developer, the Engineer, the Tax Assessor/Collector, 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 reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Bob Leared Interests, 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 District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The District's financial statements for the fiscal year ending April 30, 2018, were prepared by the independent account firm of McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the audited financial statement of the District as of April 30, 2018.

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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 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 the 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 the 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 Board has relied in part upon its examination of records of the District, and upon 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 of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and "APPENDIX A" (Financial Statement of the District and Certain Supplemental Schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2019.

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 information 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 shall provide unaudited financial statements for the applicable year to the MSRB within such six month period, and audited financial statements when and if such audited financial statements become available. Any financial statements so provided shall be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when

used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District 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 to 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 registered owners 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 Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

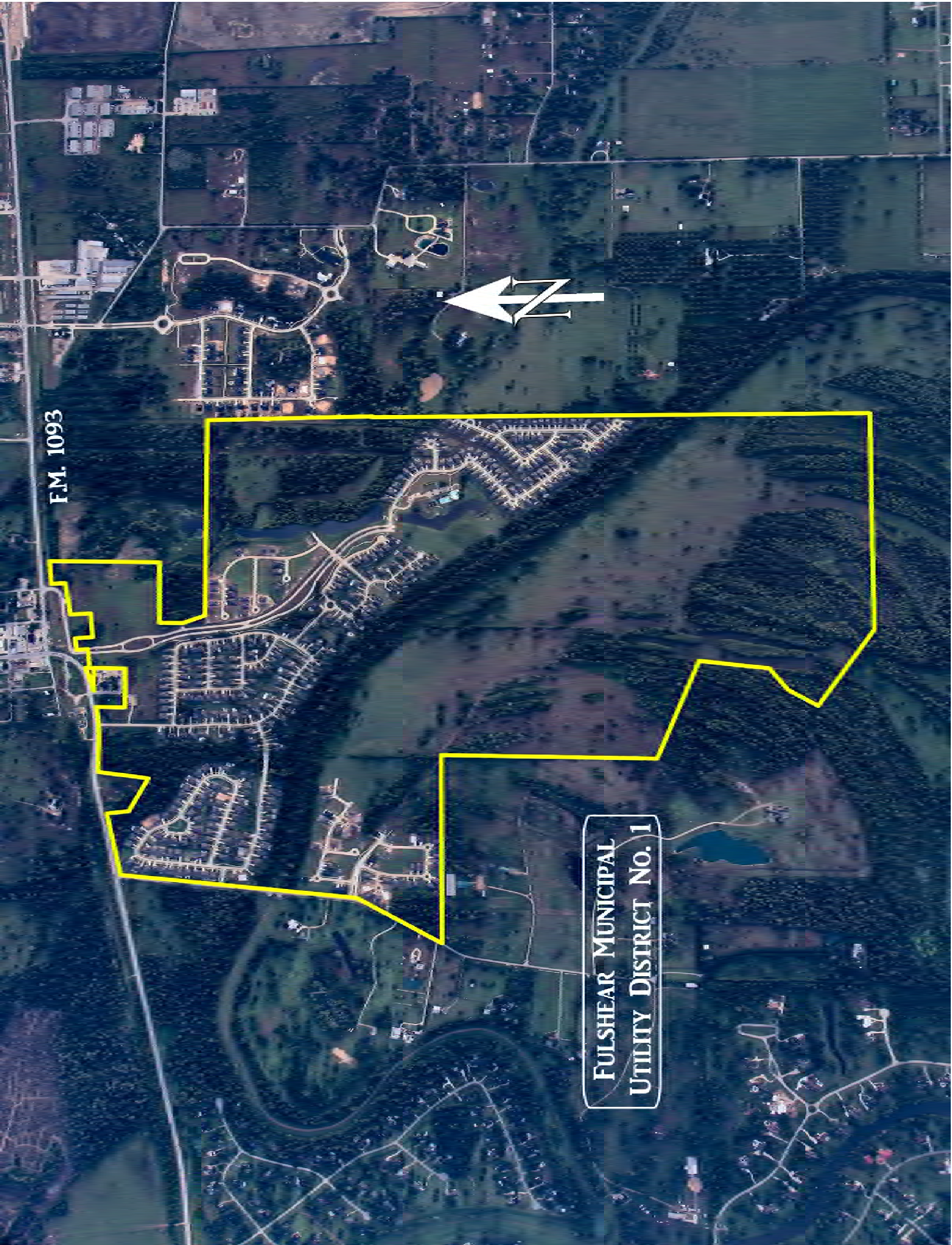
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not 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.

/s/ Brian Cogburn
President, Board of Directors

ATTEST:

/s/ Tracy Bozeman
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of October 2018)



F.M. 1093

FULSHEAR MUNICIPAL
UTILITY DISTRICT No. 1

**PHOTOGRAPHS OF THE DISTRICT
(As of October 2018)**













APPENDIX A

Financial Statement of the District for the fiscal year ended April 30, 2018

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS**

ANNUAL FINANCIAL REPORT

APRIL 30, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS**

ANNUAL FINANCIAL REPORT

APRIL 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fulshear Municipal Utility
District No. 1 of Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fulshear Municipal Utility District No. 1 of Fort Bend County, Texas (the "District"), as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Fulshear Municipal Utility
District No. 1 of Fort Bend County, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of April 30, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 9, 2018

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF
FORT BEND COUNTY, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

Management’s discussion and analysis of Fulshear Municipal Utility District No. 1 of Fort Bend County, Texas (the “District”) financial performance provides an overview of the District’s financial activities for year ended April 30, 2018. Please read it in conjunction with the District’s financial statements.

USING THIS FINANCIAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF
FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

FUND FINANCIAL STATEMENTS (Continued)

assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$2,465,807 as of April 30, 2018.

A portion of the District's net position reflects its net investment in capital assets (drainage and water and wastewater capacity fees (also referred to herein as impact fees) less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of the Statement of Net Position:

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF
FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 3,167,914	\$ 2,473,348	\$ 694,566
Capital Assets (Net of Accumulated Depreciation)	5,110,068	4,517,946	592,122
Intangible Assets (Net of Accumulated Amortization)	18,788,632	14,724,669	4,063,963
Total Assets	<u>\$ 27,066,614</u>	<u>\$ 21,715,963</u>	<u>\$ 5,350,651</u>
Deferred Outflows of Resources	\$ 353,897	\$ 374,294	(20,397)
Due to Developer	\$ 11,774,921	\$ 10,646,390	\$ (1,128,531)
Long -Term Liabilities	17,360,376	12,633,009	(4,727,367)
Other Liabilities	751,021	661,318	(89,703)
Total Liabilities	<u>\$ 29,886,318</u>	<u>\$ 23,940,717</u>	<u>\$ (5,945,601)</u>
Net Position:			
Net Investment in Capital Assets	\$ (4,945,024)	\$ (3,910,438)	\$ (1,034,586)
Restricted	1,615,550	1,433,328	182,222
Unrestricted	863,667	626,650	237,017
Total Net Position	<u>\$ (2,465,807)</u>	<u>\$ (1,850,460)</u>	<u>\$ (615,347)</u>

The following table provides a summary of the District's operations for the years ended April 30, 2018, and April 30, 2017. The District's net position decreased by \$615,347.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,588,834	\$ 1,357,086	\$ 231,748
Charges for Services	50,011	45,555	4,456
Other Revenues	23,398	4,421	18,977
Total Revenues	<u>\$ 1,662,243</u>	<u>\$ 1,407,062</u>	<u>\$ 255,181</u>
Expenses for Services	<u>2,277,590</u>	<u>1,900,279</u>	<u>(377,311)</u>
Change in Net Position	\$ (615,347)	\$ (493,217)	\$ (122,130)
Net Position, Beginning of Year	<u>(1,850,460)</u>	<u>(1,357,243)</u>	<u>(493,217)</u>
Net Position, End of Year	<u>\$ (2,465,807)</u>	<u>\$ (1,850,460)</u>	<u>\$ (615,347)</u>

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF
FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2018, was \$3,110,854, an increase of \$711,909 for the current fiscal year.

The District's General Fund fund balance increased by \$219,291 from the prior year. The increase is primarily due to more maintenance tax revenues than service operation expenditures.

The Debt Service Fund fund balance increased by \$211,139, primarily due to the issuance of the Series 2017 Unlimited Tax Bonds and the structure of the District's debt.

The Capital Projects Fund fund balance increased by \$281,479, primarily due to issuance of the Series 2017 Unlimited Tax Bonds offset by current year capital outlay.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the General Fund budget during the current fiscal year. Actual revenues were \$96,472 more than budgeted revenues primarily due to more property tax revenue than budgeted. Actual expenditures were \$77,405 less than budgeted expenditures primarily due to less repairs and maintenance than budgeted offset by more engineering and legal fees than budgeted.

CAPITAL ASSETS

Capital assets as of April 30, 2018, total \$5,110,068 (net of accumulated depreciation) and include impact fees, fencing, landscaping and the drainage system. Additional information on the District's capital assets can be found in Note 6 of this report.

<u>Capital Assets At Year-End, Net of Accumulated Depreciation</u>			
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,708,920	\$ 1,708,920	\$
Capital Assets, Net of Accumulated Depreciation:			
Impact Fees	\$ 1,172,673	\$ 888,218	\$ 284,455
Fencing	448,753	243,584	205,169
Landscaping	903,801	778,568	125,233
Drainage System	<u>875,921</u>	<u>898,656</u>	<u>(22,735)</u>
Total Net Capital Assets	<u>\$ 5,110,068</u>	<u>\$ 4,517,946</u>	<u>\$ 592,122</u>

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1 OF
FORT BEND COUNTY, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

INTANGIBLE ASSETS

Intangible assets as of April 30, 2018, total \$18,788,632 (net of accumulated amortization). These assets include the right to receive water and wastewater service. Additional information on the District’s intangible assets can be found in Note 6 of this report.

Intangible Assets At Year-End, Net of Accumulated Amortization			
	2018	2017	Change Positive (Negative)
Right to receive service	\$ 21,223,761	\$ 16,517,963	4,705,798
Less: Accumulated Amortization	2,435,129	1,793,294	641,835
Total Net Intangible Assets	\$ 18,788,632	\$ 14,724,669	\$ 4,063,963

LONG-TERM DEBT ACTIVITY

As of April 30, 2018, the District had total bond debt payable of \$18,095,000.

The changes in the debt position of the District during the fiscal year ended April 30, 2018 are summarized as follows:

Bond Debt Payable, May 1, 2017	\$ 13,285,000
Add: Bond Sale Series 2017	5,350,000
Less: Bond Principal Paid	540,000
Bond Debt Payable, April 30, 2018	\$ 18,095,000

The District’s Series 2011 and Series 2015 bonds do not carry an underlying rating or an insured rating. The District’s Series 2016 Bonds, Series 2017 Bonds and Series 2017 Refunding Bonds have an underlying rating of “Baa2” from Moody’s and have been assigned an S&P rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of April 30, 2018 and reflect all rating changes of the bond insurer through the year then ended.

As of April 30, 2018, the District has recorded a due to developer of \$11,774,921. See Note 8.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fulshear Municipal Utility District No. 1 of Fort Bend County, Texas, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2018**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 391,802	\$ 1,738,557
Investments	480,000	
Receivables:		
Property Taxes	262	467
Penalty and Interest on Delinquent Taxes		
Accrued Interest	173	
Due from Other Funds	23,655	
Prepaid Costs	3,690	
Land		
Capital Assets (Net of Accumulated Depreciation)		
Intangible Assets (Net of Accumulated Amortization)		
TOTAL ASSETS	\$ 899,582	\$ 1,739,024
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 899,582	\$ 1,739,024

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 533,011	\$ 2,663,370 480,000	\$	\$ 2,663,370 480,000
	729		729
	173	233	233
	23,655	(23,655)	173
	3,690	19,719	23,409
		1,708,920	1,708,920
		3,401,148	3,401,148
		<u>18,788,632</u>	<u>18,788,632</u>
<u>\$ 533,011</u>	<u>\$ 3,171,617</u>	<u>\$ 23,894,997</u>	<u>\$ 27,066,614</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 353,897</u>	<u>\$ 353,897</u>
<u>\$ 533,011</u>	<u>\$ 3,171,617</u>	<u>\$ 24,248,894</u>	<u>\$ 27,420,511</u>

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

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2018**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 35,634	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		23,655
Due to Taxpayers		410
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 35,634	\$ 24,065
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 262	\$ 467
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 3,690	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,714,492
Unassigned	859,996	
TOTAL FUND BALANCES	\$ 863,686	\$ 1,714,492
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 899,582	\$ 1,739,024
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 335	\$ 35,969	\$	\$ 35,969
		99,642	99,642
		11,774,921	11,774,921
	23,655	(23,655)	
	410		410
		615,000	615,000
		<u>17,360,376</u>	<u>17,360,376</u>
<u>\$ 335</u>	<u>\$ 60,034</u>	<u>\$ 29,826,284</u>	<u>\$ 29,886,318</u>
<u>\$ -0-</u>	<u>\$ 729</u>	<u>\$ (729)</u>	<u>\$ -0-</u>
\$ 532,676	\$ 3,690	\$ (3,690)	\$
	532,676	(532,676)	
	1,714,492	(1,714,492)	
	859,996	(859,996)	
<u>\$ 532,676</u>	<u>\$ 3,110,854</u>	<u>\$ (3,110,854)</u>	<u>\$ -0-</u>
<u>\$ 533,011</u>	<u>\$ 3,171,617</u>		
		\$ (4,945,024)	\$ (4,945,024)
		1,615,550	1,615,550
		<u>863,667</u>	<u>863,667</u>
		<u>\$ (2,465,807)</u>	<u>\$ (2,465,807)</u>

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

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2018**

Total Fund Balances - Governmental Funds	\$ 3,110,854
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance premiums are amortized over the term of the debt in governmental activities.	19,719
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	353,897
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Capital assets used in governmental activities and intangible assets are not current financial resources and, therefore, are not reported as assets in the governmental funds.	23,898,700
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.	962
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (11,774,921)	
Accrued Interest Payable	(99,642)	
Bonds Payable Within One Year	(615,000)	
Bonds Payable After One Year	<u>(17,360,376)</u>	<u>(29,849,939)</u>

Total Net Position - Governmental Activities	<u>\$ (2,465,807)</u>
--	-----------------------

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

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**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 572,348	\$ 1,023,084
Penalty and Interest		2,378
Property Tax Rebate		48,446
Investment Revenues	1,500	3,048
Miscellaneous Revenues	15,730	2,558
TOTAL REVENUES	<u>\$ 589,578</u>	<u>\$ 1,079,514</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 284,086	\$ 255
Contracted Services	11,438	23,558
Repairs and Maintenance	82,629	
Depreciation		
Amortization		
Other	16,242	2,517
Capital Outlay		
Debt Service:		
Bond Principal		540,000
Bond Interest		480,239
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 394,395</u>	<u>\$ 1,046,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 195,183</u>	<u>\$ 32,945</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 24,108	\$
Long-Term Debt Issued		178,194
Bond Discount		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 24,108</u>	<u>\$ 178,194</u>
NET CHANGE IN FUND BALANCES	\$ 219,291	\$ 211,139
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2017	<u>644,395</u>	<u>1,503,353</u>
FUND BALANCES/NET POSITION - APRIL 30, 2018	<u>\$ 863,686</u>	<u>\$ 1,714,492</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,595,432	\$ (6,598)	\$ 1,588,834
	2,378	(813)	1,565
	48,446		48,446
562	5,110		5,110
	18,288		18,288
<u>\$ 562</u>	<u>\$ 1,669,654</u>	<u>\$ (7,411)</u>	<u>\$ 1,662,243</u>
\$ 21,215	\$ 305,556	\$	\$ 305,556
	34,996		34,996
	82,629		82,629
		184,832	184,832
		641,835	641,835
215	18,974		18,974
4,350,532	4,350,532	(4,350,532)	
	540,000	(540,000)	
	480,239	47,622	527,861
480,907	480,907		480,907
<u>\$ 4,852,869</u>	<u>\$ 6,293,833</u>	<u>\$ (4,016,243)</u>	<u>\$ 2,277,590</u>
<u>\$ (4,852,307)</u>	<u>\$ (4,624,179)</u>	<u>\$ 4,008,832</u>	<u>\$ (615,347)</u>
\$ (24,108)	\$	\$	\$
5,171,806	5,350,000	(5,350,000)	
(13,912)	(13,912)	13,912	
<u>\$ 5,133,786</u>	<u>\$ 5,336,088</u>	<u>\$ (5,336,088)</u>	<u>\$ -0-</u>
\$ 281,479	\$ 711,909	\$ (711,909)	\$
		(615,347)	(615,347)
251,197	2,398,945	(4,249,405)	(1,850,460)
<u>\$ 532,676</u>	<u>\$ 3,110,854</u>	<u>\$ (5,576,661)</u>	<u>\$ (2,465,807)</u>

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

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2018**

Net Change in Fund Balances - Governmental Funds	\$	711,909
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(6,598)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(813)
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated, intangible assets are amortized, and depreciation and amortization expense are recorded in the Statement of Activities.		(826,667)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		4,350,532
Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, the bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		13,912
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		540,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(47,622)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(5,350,000)</u>
Change in Net Position - Governmental Activities	\$	<u>(615,347)</u>

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

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. CREATION OF DISTRICT

Fulshear Municipal Utility District No. 1 of Fort Bend County, Texas (the “District”) was duly created by the 80th Texas Legislature of the State of Texas, S.B. 682 adding Chapter 8207 to the Special District Local Laws Code (“Chapter 8207”), effective September 1, 2007. Chapter 8207 was amended by S.B. 1831, 83rd Texas Legislature, effective June 14, 2013, to clarify the District’s authority regarding road powers. Pursuant to the provisions of Chapter 8207, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, subject to certain regulatory approvals, to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 7, 2008, and sold its first bonds on December 15, 2011.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

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

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

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

Basis of Accounting

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

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

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City of Fulshear and amortized over the term of the applicable service contract, which is 40 years from the execution date of the contract.

Capital Assets

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

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

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

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

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

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

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

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

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Road Bonds Series 2011	Water, Sewer and Drainage Series 2015
Amounts Outstanding – April 30, 2018	\$ 580,000	\$ 4,285,000
Interest Rates	4.20%-4.80%	3.00%-4.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2021	September 1, 2018/2040
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2018*	September 1, 2022*

* Or any date thereafter in whole or in part at the option of the District callable at par plus unpaid accrued interest. The Series 2015 Unlimited Tax Bonds maturing on September 1, 2032, 2034, 2036, and 2040 are term bonds and are scheduled for mandatory redemption beginning on September 1, 2030, 2033, 2035 and 2037, respectively.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 3. LONG-TERM DEBT

	Water, Sewer and Drainage Series 2016	Road Refunding Bonds Series 2017
	<hr/>	<hr/>
Amounts Outstanding – April 30, 2018	\$ 4,070,000	\$ 3,810,000
Interest Rates	2.00%-4.00%	2.000%-3.625%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2042	September 1, 2018/2035
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2023*	September 1, 2023*
		Water, Sewer and Drainage Series 2017
		<hr/>
Amounts Outstanding – April 30, 2018		\$ 5,350,000
Interest Rates		2.00%-4.50%
Maturity Dates – Serially Beginning/Ending		September 1, 2018/2042
Interest Payment Dates		March 1/September 1
Callable Dates		September 1, 2024*

* Or any date thereafter in whole or in part at the option of the District callable at par plus unpaid accrued interest. The Series 2016 Unlimited Tax Bonds maturing on September 1, 2026, 2028, 2030, 2032, 2034, 2036, 2038, 2040, and 2042 are term bonds and are scheduled for mandatory redemption beginning on September 1, 2025, 2027, 2029, 2031, 2033, 2035, 2037, 2039 and 2041, respectively. The Series 2017 Unlimited Tax Bonds maturing on September 1, 2035, 2037, 2039, and 2042, are term bonds and are scheduled for mandatory redemption beginning on September 1, 2034, 2036, 2038 and 2040, respectively.

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended April 30, 2018:

	May 1, 2017	Additions	Retirements	April 30, 2018
Bonds Payable	\$ 13,285,000	\$ 5,350,000	\$ 540,000	\$ 18,095,000
Unamortized Discounts	(111,991)	(13,912)	(6,279)	(119,624)
Total Long-Term Liabilities	\$ 13,173,009	\$ 5,336,088	\$ 533,721	\$ 17,975,376
		Amount Due Within One Year		\$ 615,000
		Amount Due After One Year		17,360,376
		Total Long-Term Liabilities		\$ 17,975,376

As of April 30, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 615,000	\$ 586,417	\$ 1,201,417
2020	595,000	563,877	1,158,877
2021	615,000	541,084	1,156,084
2022	630,000	517,350	1,147,350
2023	650,000	495,519	1,145,519
2024-2028	3,510,000	2,191,204	5,701,204
2029-2033	4,055,000	1,624,458	5,679,458
2034-2038	4,075,000	913,635	4,988,635
2039-2043	3,350,000	279,036	3,629,036
	\$ 18,095,000	\$ 7,712,580	\$ 25,807,580

The District has authorized but unissued tax bonds totaling \$117,790,000 for water, sewer and drainage facilities, \$80,500,000 for road facilities, and \$43,000,000 for park facilities. Voters of the District have also authorized the issuance of one and one-half times the amount of bonds or other evidences of indebtedness issued for water, sewer and drainage facilities, and road facilities for the purposes of refunding such bonds or other evidences of indebtedness, of which \$550,000 principal amount of refunding bond authorization for road facilities has been issued and all of the authorized refunding bonds for water, sewer and drainage facilities remains authorized but unissued.

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended April 30, 2018, the District levied an ad valorem debt service tax rate of \$0.75 per \$100 of assessed valuation, which resulted in a tax levy of \$1,018,539 on the adjusted taxable valuation of \$135,805,152 for the 2017 tax year. The bond order/resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on the bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

- Levy Date - October 1 or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER/RESOLUTIONS AND LEGAL REQUIREMENTS

The bond order/resolutions state that the District is required to provide to the state information depository and/or the Municipal Securities Rulemaking Board (the "MSRB") continuing disclosure of certain annual financial information and operating data with respect to the District. The information, along with the audited annual financial statements, must be provided within six (6) months after the end of each fiscal year.

The bond order/resolutions state that any profit realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken. The profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of the issue.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 4. SIGNIFICANT BOND ORDER/RESOLUTION AND LEGAL REQUIREMENTS (Continued)

In accordance with the Series 2015, Series 2016 and Series 2017 Unlimited Tax Bond resolutions, a portion of the bond proceeds was deposited into the Debt Service Fund and restricted for the payment of bond interest during the construction period. Transactions for the current year are summarized as follows:

Restricted for Bond Interest – May 1, 2017	\$	199,806
Add: Series 2017		178,194
Less: Bond Interest Payments		259,204
Restricted for Bond Interest - April 30, 2018	\$	118,796

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$3,143,370 and the bank balance was \$3,167,165. The District was not exposed to custodial credit risk at fiscal year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at April 30, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 391,802	\$ 480,000	\$ 871,802
DEBT SERVICE FUND	1,738,557		1,738,557
CAPITAL PROJECTS FUND	533,011		533,011
TOTAL DEPOSITS	\$ 2,663,370	\$ 480,000	\$ 3,143,370

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

As of April 30, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<u>GENERAL FUND</u>		
Certificates of Deposit	<u>\$ 480,000</u>	<u>\$ 480,000</u>

Credit risk is the risk that the insurer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC insurance coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for year ended April 30, 2018 is as follows:

	May 1, 2017	Increases	Decreases	April 30, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,708,920	\$ - 0 -	\$ - 0 -	\$ 1,708,920
Capital Assets Subject to Depreciation				
Impact Fees	\$ 1,024,969	\$ 349,804	\$	\$ 1,374,773
Fencing	265,271	220,147		485,418
Landscaping	920,165	207,003		1,127,168
Drainage System	1,023,095			1,023,095
Total Capital Assets Subject to Depreciation	\$ 3,233,500	\$ 776,954	\$ - 0 -	\$ 4,010,454
Accumulated Depreciation				
Impact Fees	\$ 136,751	\$ 65,349	\$	\$ 202,100
Fencing	21,687	14,978		36,665
Landscaping	141,597	81,770		223,367
Drainage System	124,439	22,735		147,174
Total Accumulated Depreciation	\$ 424,474	\$ 184,832	\$ - 0 -	\$ 609,306
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 2,809,026	\$ 592,122	\$ - 0 -	\$ 3,401,148
Total Capital Assets, Net of Accumulated Depreciation	\$ 4,517,946	\$ 592,122	\$ - 0 -	\$ 5,110,068

In accordance with a Utility Agreement with the City of Fulshear (the "City"), the water, wastewater and certain storm water (with the exception of detention ponds and drainage channels) capital assets constructed by the District with funds advanced to or on behalf of the District, for which the District has recorded a liability in the Statement of Net Position, have been conveyed to the City for ownership, operation and maintenance. As a result of the conveyance of these assets, the City can agree to provide water and wastewater services to the District, contingent upon customer payment for those services, which becomes an intangible asset of the District. As of April 30, 2018, the District has the following intangible assets:

	May 1, 2017	Increases	Decreases	April 30, 2018
Intangible Assets Subject to Amortization				
Right to receive service	\$ 16,517,963	\$ 4,705,798	\$ - 0 -	\$ 21,223,761
Accumulated Amortization				
Right to receive service	\$ 1,793,294	\$ 641,835	\$ - 0 -	\$ 2,435,129
Total Intangible Assets, Net of Accumulated Amortization	\$ 14,724,669	\$ 4,063,963	\$ - 0 -	\$ 18,788,632

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. MAINTENANCE TAX

On May 10, 2008, the voters of the District approved the levy and collection of a maintenance tax of not more than \$1.50 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended April 30, 2018, the District levied an ad valorem maintenance tax rate of \$0.42 per \$100 of assessed valuation, which resulted in a tax levy of \$570,382 on the adjusted taxable valuation of \$135,805,152 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District pursuant to Chapter 49.107, Texas Water Code.

On May 10, 2008, the voters of the District approved the levy and collection of a park and recreational facilities maintenance tax of not more than \$0.10 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District did not levy a park and recreational facilities maintenance tax.

NOTE 8. UNREIMBURSED COSTS

In accordance with the terms of the development financing agreements, developers within the District have made expenditures on behalf of the District for various projects for which the District has not sold bonds. As of the balance sheet date, the District has recorded \$11,754,921 as a due to developer for projects that have been completed. In addition, \$20,000 has been recorded as due to developer for operating advances received as of April 30, 2018. Any reimbursement will come from proceeds of future bond sales or other legally available funds of the District.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 10. UTILITY AGREEMENT

On August 19, 2008, the District entered into a Utility Agreement with the City. The District is responsible for the design and construction of the water, sanitary sewer and drainage systems (the Facilities) to serve the land within the District. All final plans must be approved by the City before construction. As the Facilities are constructed and inspected by the City, the District shall transfer the same to the City (excluding detention ponds or drainage channels, which are owned and operated by the District) for ownership and operation. In addition, the District constructs roadways serving the District, which facilities have been accepted by the City for operation and maintenance. The City is responsible for, without limitation, providing adequate maintenance and operation of the Facilities, providing water and wastewater treatment capacity resulting from the water and wastewater connection fees, providing reasonable and timely review and approval as required under the utility agreement, maintaining the water distribution and wastewater collection line capacity as constructed by the District, and timely making taps or connections to the Facilities.

The District purchases capacity in the City's water and wastewater plants. The District pays the City a fee of \$2,560 per equivalent single-family connection. The District also pays a fee for non-single-family lot development and commercial development. In consideration of the District constructing water, sewer, drainage, road, park and recreational facilities necessary to develop the District, the City annually rebates to the District all of the City's ad valorem tax revenue collected from the property within the District in excess of \$0.10 per \$100 of assessed value according to the following formula:

$$\text{Tax Rebate} = \frac{\text{City Tax Rate minus } \$0.10}{\text{per } \$100 \text{ assessed value}} \times \frac{\text{District Taxable Assessed Valuation}}{\text{Valuation}}$$

The Utility Agreement provides that the tax rebate will be used by the District to pay for the design and construction of certain facilities or to pay debt service on outstanding bonds issued by the District. The tax rebate will continue for the life of the District's bonds. During the current fiscal year, the District received a tax rebate in the amount \$48,446, which is included in the Debt Service Fund and restricted to pay debt service. The term of the Utility Agreement is 40 years unless otherwise previously terminated pursuant to the terms of the Utility Agreement.

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 10. UTILITY AGREEMENT (Continued)

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Fulshear, the District may be dissolved by the City of Fulshear without the District's consent, subject to compliance by the City with Chapter 45 of the Texas Local Government Code, as amended. The Utility Agreement between the City of Fulshear and the District also places certain restrictions on the City of Fulshear's right to dissolve the District. If the District is dissolved, the City of Fulshear will assume the District's assets and obligations (including the District's outstanding bonds). Dissolution of the District by the City of Fulshear is a policy matter within the discretion of the Mayor and City Council of the City of Fulshear, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City of Fulshear's financial capability to pay debt service on the outstanding bonds if such dissolution were to occur.

NOTE 11. INTERFUND PAYABLES AND RECEIVABLES

The General Fund recorded a receivable from the Debt Service Fund in the amount of \$22,358 for maintenance tax collections and \$1,297 for prior bond issuance costs paid by the General Fund. The Capital Projects Fund transferred \$24,108 to the General Fund for bond issuance costs paid by the General Fund in the prior year.

NOTE 12. BOND SALE

On November 22, 2017, the District issued its \$5,350,000 Unlimited Tax Bonds, Series 2017. Proceeds of the Bonds were used to reimburse developers within the District a portion of the construction costs of the water, sewer and drainage facilities to serve Fulbrook on Fulshear Creek, Sections 4 and 12, the construction costs of sewer facilities to serve Lake Hill Farm Way, land acquisition costs for a lift station in Section 12 and a portion of the water and wastewater capacity fees for Fulbrook on Fulshear Creek, Sections 8 and 12. In addition, a portion of the proceeds were used to pay engineering costs on the above listed projects, construction legal fees, developer interest, twelve months of capitalized interest, and bond issuance costs.

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**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2018

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 493,106	\$ 572,348	\$ 79,242
Investment Revenues		1,500	1,500
Miscellaneous Revenues		<u>15,730</u>	<u>15,730</u>
TOTAL REVENUES	<u>\$ 493,106</u>	<u>\$ 589,578</u>	<u>\$ 96,472</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 183,000	\$ 284,086	\$ (101,086)
Contracted Services	11,500	11,438	62
Repairs and Maintenance	220,000	82,629	137,371
Other	<u>57,300</u>	<u>16,242</u>	<u>41,058</u>
TOTAL EXPENDITURES	<u>\$ 471,800</u>	<u>\$ 394,395</u>	<u>\$ 77,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 21,306</u>	<u>\$ 195,183</u>	<u>\$ 173,877</u>
OTHER FINANCING SOURCES(USES)			
Transfers Out	<u>\$ -0-</u>	<u>\$ 24,108</u>	<u>\$ 24,108</u>
NET CHANGE IN FUND BALANCE	\$ 21,306	\$ 219,291	\$ 197,985
FUND BALANCE - MAY 1, 2017	<u>644,395</u>	<u>644,395</u>	<u></u>
FUND BALANCE - APRIL 30, 2018	<u>\$ 665,701</u>	<u>\$ 863,686</u>	<u>\$ 197,985</u>

See accompanying independent auditor's report.

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**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS**

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

APRIL 30, 2018

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2018**

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

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

Pursuant to an agreement between the District and the City of Fulshear (the “City”), water, wastewater and certain drainage facilities (excluding drainage channels and detention ponds) constructed by the District will be conveyed to the City. By agreement, the City will maintain the facilities and operate the facilities for the benefit of the residents of the District. Therefore, the District will not be responsible for operation of the water and wastewater utilities within its boundaries. The District remains responsible for the maintenance of certain drainage and detention facilities.

2. RETAIL SERVICE PROVIDERS

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

See accompanying independent auditor’s report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	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 Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: N/A

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2018**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely Partly Not at all

City in which District is located:

City of Fulshear, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 11,000
Engineering	124,504
Legal	<u>148,582</u>
TOTAL PROFESSIONAL FEES	<u>\$ 284,086</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 11,438</u>
REPAIRS AND MAINTENANCE	<u>\$ 82,629</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,050
Dues	650
Insurance	4,524
Office Supplies and Postage	1,916
Payroll Taxes	214
Travel and Meetings	1,507
Other	<u>381</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 16,242</u>
TOTAL EXPENDITURES	<u><u>\$ 394,395</u></u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
INVESTMENTS
APRIL 30, 2018**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX7062	2.04%	04/24/19	\$ 240,000	\$ 81
Certificate of Deposit	XXXX4312	2.00%	04/23/19	240,000	92
TOTAL GENERAL FUND				<u>\$ 480,000</u>	<u>\$ 173</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - MAY 1, 2017	\$	2,255	\$	5,072
Adjustments to Beginning Balance		<u>(27)</u>	\$	<u>5,012</u>
		\$ 2,228		
Original 2017 Tax Levy	\$	549,176	\$	980,671
Adjustment to 2017 Tax Levy		<u>21,206</u>		<u>37,868</u>
		<u>570,382</u>		<u>1,018,539</u>
TOTAL TO BE ACCOUNTED FOR		\$ 572,610		\$ 1,023,551
TAX COLLECTIONS:				
Prior Years	\$	2,228	\$	5,012
Current Year		<u>570,120</u>		<u>1,018,072</u>
		<u>572,348</u>		<u>1,023,084</u>
TAXES RECEIVABLE - APRIL 30, 2018		<u>\$ 262</u>		<u>\$ 467</u>
TAXES RECEIVABLE BY YEAR:				
2017		<u>\$ 262</u>		<u>\$ 467</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 50,822,267	\$ 45,414,941	\$ 30,618,510	\$ 23,151,220
Improvements	87,046,510	71,210,780	42,164,160	33,204,590
Personal Property	604,130	558,100	312,240	325,720
Exemptions	<u>(2,667,755)</u>	<u>(1,194,518)</u>	<u>(946,575)</u>	<u>(1,375,052)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 135,805,152</u>	<u>\$ 115,989,303</u>	<u>\$ 72,148,335</u>	<u>\$ 55,306,478</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.75	\$ 0.81	\$ 0.78	\$ 0.71
Maintenance	<u>0.42</u>	<u>0.36</u>	<u>0.41</u>	<u>0.48</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.17</u>	<u>\$ 1.17</u>	<u>\$ 1.19</u>	<u>\$ 1.19</u>
ADJUSTED TAX LEVY*	<u>\$ 1,588,921</u>	<u>\$ 1,357,075</u>	<u>\$ 858,565</u>	<u>\$ 658,147</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.95 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

** Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 10, 2008.

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018**

SERIES - 2011 ROAD BONDS

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 135,000	\$ 23,335	\$ 158,335
2020	140,000	17,420	157,420
2021	150,000	10,890	160,890
2022	155,000	3,720	158,720
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 580,000</u>	<u>\$ 55,365</u>	<u>\$ 635,365</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018**

SERIES - 2015 WATER,
SEWER, AND DRAINAGE BONDS

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 190,000	\$ 153,682	\$ 343,682
2020	190,000	147,982	337,982
2021	190,000	142,281	332,281
2022	190,000	136,581	326,581
2023	190,000	130,881	320,881
2024	190,000	125,181	315,181
2025	185,000	119,556	304,556
2026	185,000	113,775	298,775
2027	185,000	107,531	292,531
2028	185,000	100,941	285,941
2029	185,000	94,119	279,119
2030	185,000	87,181	272,181
2031	185,000	80,012	265,012
2032	185,000	72,613	257,613
2033	185,000	65,212	250,212
2034	185,000	57,812	242,812
2035	185,000	50,413	235,413
2036	185,000	42,897	227,897
2037	185,000	35,265	220,265
2038	185,000	27,519	212,519
2039	185,000	19,655	204,655
2040	185,000	11,794	196,794
2041	185,000	3,931	188,931
2042			
2043			
	<u>\$ 4,285,000</u>	<u>\$ 1,926,814</u>	<u>\$ 6,211,814</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018**

SERIES - 2016 WATER,
SEWER, AND DRAINAGE BONDS

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 85,000	\$ 122,262	\$ 207,262
2020	90,000	118,762	208,762
2021	95,000	115,063	210,063
2022	100,000	111,287	211,287
2023	105,000	107,838	212,838
2024	110,000	105,162	215,162
2025	115,000	102,913	217,913
2026	120,000	100,412	220,412
2027	125,000	97,656	222,656
2028	130,000	94,300	224,300
2029	140,000	90,250	230,250
2030	145,000	85,975	230,975
2031	155,000	81,475	236,475
2032	160,000	76,750	236,750
2033	170,000	71,800	241,800
2034	175,000	66,625	241,625
2035	185,000	61,225	246,225
2036	195,000	55,525	250,525
2037	205,000	49,525	254,525
2038	215,000	43,091	258,091
2039	225,000	36,216	261,216
2040	240,000	28,950	268,950
2041	250,000	21,294	271,294
2042	260,000	13,163	273,163
2043	275,000	4,469	279,469
	<u>\$ 4,070,000</u>	<u>\$ 1,861,988</u>	<u>\$ 5,931,988</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018**

SERIES - 2017 REFUNDING
ROAD BONDS

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1 / March 1	Total
2019	\$ 45,000	\$ 112,544	\$ 157,544
2020	45,000	111,644	156,644
2021	45,000	110,744	155,744
2022	45,000	109,844	154,844
2023	210,000	107,294	317,294
2024	220,000	102,719	322,719
2025	225,000	97,712	322,712
2026	230,000	92,307	322,307
2027	235,000	85,906	320,906
2028	240,000	78,782	318,782
2029	255,000	71,357	326,357
2030	260,000	63,469	323,469
2031	270,000	55,187	325,187
2032	275,000	46,500	321,500
2033	285,000	37,400	322,400
2034	300,000	27,518	327,518
2035	310,000	16,843	326,843
2036	315,000	5,709	320,709
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 3,810,000</u>	<u>\$ 1,333,479</u>	<u>\$ 5,143,479</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018**

SERIES - 2017 WATER,
SEWER, AND DRAINAGE BONDS

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1 / March 1	Total
2019	\$ 160,000	\$ 174,594	\$ 334,594
2020	130,000	168,069	298,069
2021	135,000	162,106	297,106
2022	140,000	155,918	295,918
2023	145,000	149,506	294,506
2024	150,000	142,869	292,869
2025	160,000	136,894	296,894
2026	165,000	132,644	297,644
2027	175,000	129,025	304,025
2028	180,000	124,919	304,919
2029	185,000	120,353	305,353
2030	195,000	115,243	310,243
2031	205,000	109,487	314,487
2032	210,000	103,263	313,263
2033	220,000	96,812	316,812
2034	230,000	90,063	320,063
2035	240,000	82,862	322,862
2036	250,000	75,206	325,206
2037	260,000	67,075	327,075
2038	270,000	58,462	328,462
2039	285,000	49,088	334,088
2040	295,000	38,937	333,937
2041	310,000	28,350	338,350
2042	320,000	17,325	337,325
2043	335,000	5,864	340,864
	<u>\$ 5,350,000</u>	<u>\$ 2,534,934</u>	<u>\$ 7,884,934</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 615,000	\$ 586,417	\$ 1,201,417
2020	595,000	563,877	1,158,877
2021	615,000	541,084	1,156,084
2022	630,000	517,350	1,147,350
2023	650,000	495,519	1,145,519
2024	670,000	475,931	1,145,931
2025	685,000	457,075	1,142,075
2026	700,000	439,138	1,139,138
2027	720,000	420,118	1,140,118
2028	735,000	398,942	1,133,942
2029	765,000	376,079	1,141,079
2030	785,000	351,868	1,136,868
2031	815,000	326,161	1,141,161
2032	830,000	299,126	1,129,126
2033	860,000	271,224	1,131,224
2034	890,000	242,018	1,132,018
2035	920,000	211,343	1,131,343
2036	945,000	179,337	1,124,337
2037	650,000	151,865	801,865
2038	670,000	129,072	799,072
2039	695,000	104,959	799,959
2040	720,000	79,681	799,681
2041	745,000	53,575	798,575
2042	580,000	30,488	610,488
2043	610,000	10,333	620,333
	<u>\$ 18,095,000</u>	<u>\$ 7,712,580</u>	<u>\$ 25,807,580</u>

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
CHANGES IN LONG-TERM DEBT BOND DEBT
APRIL 30, 2018**

Description	Original Bonds Issued	Bonds Outstanding May 1, 2017
Fulshear Municipal Utility District No. 1 of Fort Bend County Unlimited Tax Road Bonds - Series 2011	\$ 4,500,000	\$ 705,000
Fulshear Municipal Utility District No. 1 of Fort Bend County Unlimited Tax Water, Sewer and Drainage Bonds - Series 2015	4,660,000	4,475,000
Fulshear Municipal Utility District No. 1 of Fort Bend County Unlimited Tax Water, Sewer and Drainage Bonds - Series 2016	4,200,000	4,200,000
Fulshear Municipal Utility District No. 1 of Fort Bend County Unlimited Tax Road Refunding Bonds - Series 2017	3,905,000	3,905,000
Fulshear Municipal Utility District No. 1 of Fort Bend County Unlimited Tax Water, Sewer and Drainage Bonds - Series 2017	<u>5,350,000</u>	
TOTAL	<u><u>\$ 22,615,000</u></u>	<u><u>\$ 13,285,000</u></u>

Bond Authority:	<u>Water, Sewer and Drainage Bonds*</u>	<u>Road Bonds</u>	<u>Parks and Recreational Bonds</u>
Amount Authorized by Voters	\$ 132,000,000	\$ 85,000,000	\$ 43,000,000
Amount Issued	<u>14,210,000</u>	<u>4,500,000</u>	
Remaining to be Issued	<u><u>\$ 117,790,000</u></u>	<u><u>\$ 80,500,000</u></u>	<u><u>\$ 43,000,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding April 30, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 125,000	\$ 28,795	\$ 580,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	190,000	159,382	4,285,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	130,000	126,562	4,070,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	95,000	116,497	3,810,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,350,000</u>		<u>49,003</u>	<u>5,350,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 5,350,000</u>	<u>\$ 540,000</u>	<u>\$ 480,239</u>	<u>\$ 18,095,000</u>	

Debt Service Fund cash balance as of April 30, 2018 \$ 1,738,557

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,032,303

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

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

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 572,348	\$ 416,761	\$ 296,938
Investment Revenues	1,500	833	616
Miscellaneous Revenues	15,730		
TOTAL REVENUES	\$ 589,578	\$ 417,594	\$ 297,554
EXPENDITURES			
Professional Fees	\$ 284,086	\$ 232,446	\$ 189,528
Contracted Services	11,438	11,400	11,400
Repairs and Maintenance	82,629	26,555	51,105
Other	16,242	13,908	14,949
TOTAL EXPENDITURES	\$ 394,395	\$ 284,309	\$ 266,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 195,183	\$ 133,285	\$ 30,572
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 24,108	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 219,291	\$ 133,285	\$ 30,572
BEGINNING FUND BALANCE	644,395	511,110	480,538
ENDING FUND BALANCE	\$ 863,686	\$ 644,395	\$ 511,110

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 264,534	\$ 201,184	97.0 %	99.8 %	99.8 %	99.7 %	99.6 %
664	807	0.3	0.2	0.2	0.3	0.4
		2.7				
<u>\$ 265,198</u>	<u>\$ 201,991</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 117,184	\$ 236,721	48.2 %	55.7 %	63.7 %	44.2 %	117.2 %
11,850	11,400	1.9	2.7	3.8	4.5	5.6
71,694		14.0	6.4	17.2	27.0	
13,201	17,453	2.8	3.3	5.0	5.0	8.6
<u>\$ 213,929</u>	<u>\$ 265,574</u>	<u>66.9 %</u>	<u>68.1 %</u>	<u>89.7 %</u>	<u>80.7 %</u>	<u>131.4 %</u>
<u>\$ 51,269</u>	<u>\$ (63,583)</u>	<u>33.1 %</u>	<u>31.9 %</u>	<u>10.3 %</u>	<u>19.3 %</u>	<u>(31.4) %</u>
<u>\$ (2,247)</u>	<u>\$ - 0 -</u>					
\$ 49,022	\$ (63,583)					
431,516	495,099					
<u>\$ 480,538</u>	<u>\$ 431,516</u>					

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,023,084	\$ 937,187	\$ 563,816
Property Tax Rebate	48,446	39,766	
Penalty and Interest	2,378	5,162	2,613
Miscellaneous Revenues	5,606	3,225	952
TOTAL REVENUES	\$ 1,079,514	\$ 985,340	\$ 567,381
EXPENDITURES			
Tax Collection Expenditures	\$ 23,330	\$ 17,094	\$ 14,934
Debt Service Principal	540,000	305,000	115,000
Debt Service Interest and Fees	483,239	328,772	272,662
Bond Issuance Costs		155,117	
TOTAL EXPENDITURES	\$ 1,046,569	\$ 805,983	\$ 402,596
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 32,945	\$ 179,357	\$ 164,785
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$ 61,146	\$
Long-Term Debt Issued	178,194	4,034,162	335,563
Payment to Refunded Bond Escrow Agent		(3,652,078)	
Bond Discount		(96,552)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 178,194	\$ 346,678	\$ 335,563
NET CHANGE IN FUND BALANCE	\$ 211,139	\$ 526,035	\$ 500,348
BEGINNING FUND BALANCE	1,503,353	977,318	476,970
ENDING FUND BALANCE	\$ 1,714,492	\$ 1,503,353	\$ 977,318
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 391,291	\$ 299,842	94.7 %	95.1 %	99.3 %	98.7 %	99.4 %
		4.6	4.1			
4,267	1,180	0.2	0.5	0.5	1.1	0.4
597	740	0.5	0.3	0.2	0.2	0.2
<u>\$ 396,155</u>	<u>\$ 301,762</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 12,018	\$ 10,694	2.2 %	1.7 %	2.6 %	3.0 %	3.5 %
105,000	100,000	50.0	31.0	20.3	26.5	33.1
219,673	223,728	44.8	33.4	48.1	55.5	74.1
			15.7			
<u>\$ 336,691</u>	<u>\$ 334,422</u>	<u>97.0 %</u>	<u>81.8 %</u>	<u>71.0 %</u>	<u>85.0 %</u>	<u>110.7 %</u>
<u>\$ 59,464</u>	<u>\$ (32,660)</u>	<u>3.0 %</u>	<u>18.2 %</u>	<u>29.0 %</u>	<u>15.0 %</u>	<u>(10.7) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 59,464	\$ (32,660)					
417,506	450,166					
<u>\$ 476,970</u>	<u>\$ 417,506</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2018**

District Mailing Address - Fulshear Municipal Utility District No. 1 of Fort Bend County
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2018	Expense Reimbursements for the year ended April 30, 2018	Title
Brian Cogburn	05/15 – 05/19 (Elected)	\$ 1,800	\$ -0-	President
Brooks Tueting	05/17 – 05/21 (Elected)	\$ 1,800	\$ -0-	Vice President
Tracy Bozeman	05/17 – 05/21 (Elected)	\$ 1,200	\$ -0-	Secretary
Eugene R. “Gene” Baker	05/15 – 05/19 (Elected)	\$ -0-	\$ -0-	Assistant Vice President/ Assistant Secretary
Ronald Catchings	05/17 – 05/21 (Elected)	\$ 2,250	\$ 647	Assistant Vice President/ Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developers or with any of the District’s consultants. The submission date of the most recent District Registration Form was (TWC Sections 36.054 and 49.054): May 24, 2017. The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on March 7, 2008. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

**FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 1
OF FORT BEND COUNTY, TEXAS
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2018**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	04/26/12	\$164,959 \$147,508	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/14/10	\$ 11,000 \$ 7,400	Auditor Bond related
Myrtle Cruz, Inc.	03/07/08	\$ 16,625	Bookkeeper
Costello, Inc.	05/31/12	\$133,834	Engineer
FirstSouthwest, a Division of Hilltop Securities, Inc.	02/26/13	\$112,366	Former Financial Advisor
Masterson Advisors LLC	04/25/18	\$ -0-	Financial Advisor
Mary Jarmon	05/15/08	\$ -0-	Investment Officer
Bob Leared Interests	03/07/08	\$ 9,287	Tax Assessor/ Collector
Sweitzer and Associates	03/07/08	\$ -0-	Landscape Architect

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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